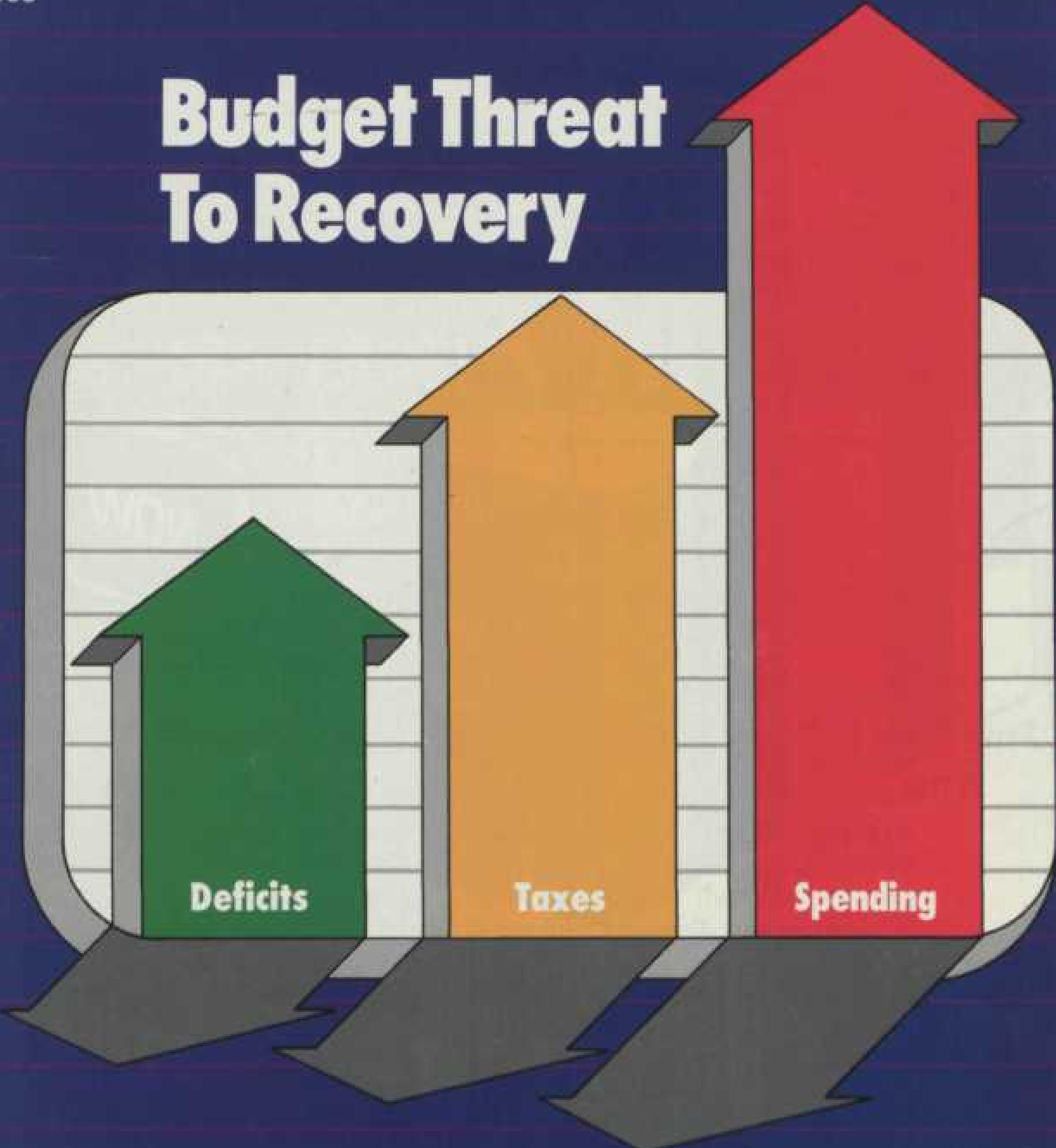
The Business Advocate Magazine

Nation's Business

March 1983

$2.25

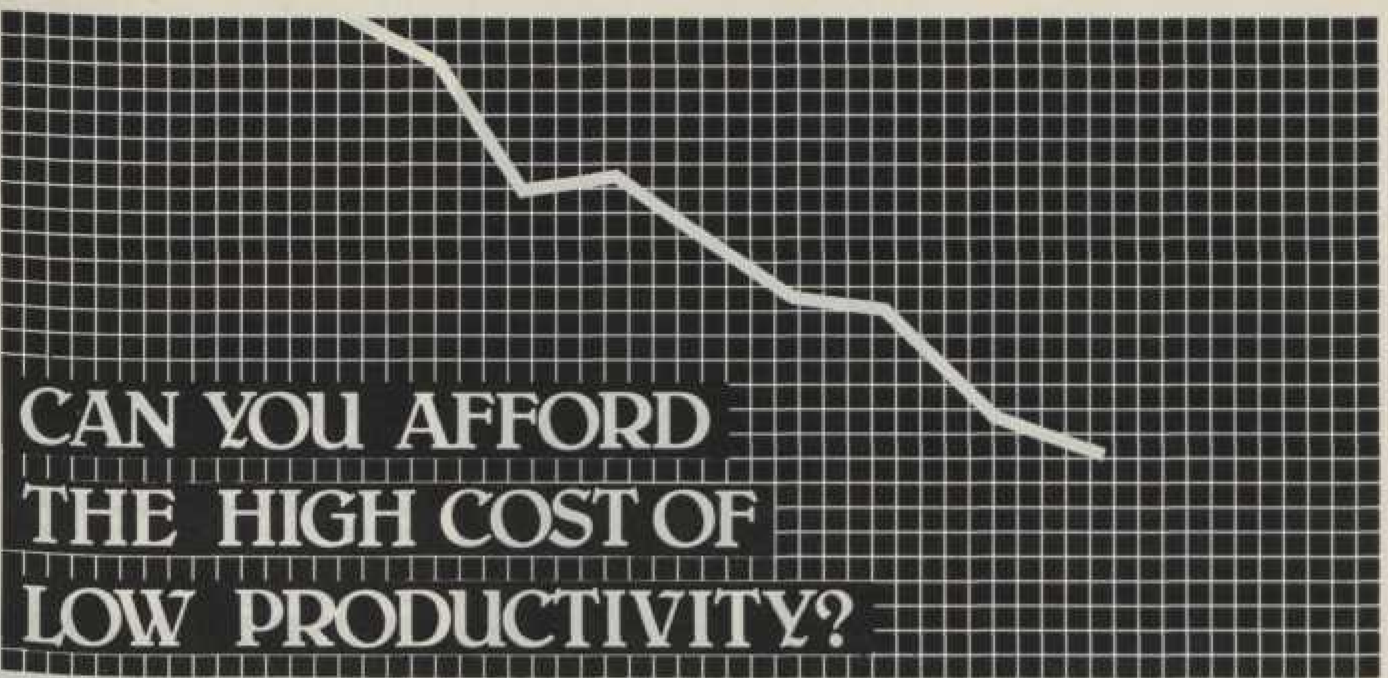
Budget Threat To Recovery



Small Firms See More Sales, Profits, Jobs

Golden Glut: Crisis For American Farmers

The Great Savings War



As a manager in today's critical economy, you're on the firing line — directly accountable for keeping productivity up, costs down. And you're well aware that no department, no division, no operation can afford the high cost of low productivity.

What can you do that you aren't already doing to boost productivity and lower operating costs? Probably more than you think! That's what thousands of managers all across the country have discovered by taking the Dale Carnegie Management Seminar.

It's a practical means of sharpening your management skills, expanding your management knowledge. It addresses those areas that concern managers most ... decision-making, problem-solving, motivation and delegation, time-management, organization and planning, communication and control. It works to free more of your valuable time for creative thinking and goal setting. And it helps you monitor results to keep production on target.

You'll see results from the outset as you learn and apply a wealth of new ideas, cost-saving concepts, workable methods and techniques for increasing efficiency and effectiveness. They're grounded in sound principles of management that consistently prove their value in actual practice.

If you want creative new solutions for today's management problems, you'll find them in the Dale Carnegie Management Seminar. For a free copy of our quick-reading booklet that outlines the contents, objectives and benefits of the Seminar, just call **toll-free (800) 231-5800.** In Texas, call **(800) 392-2424.** Or write directly to the address below.

DALE CARNEGIE & ASSOCIATES, INC.

SUITE 433 NB • 7047 REGENCY SQUARE BLVD. HOUSTON, TEXAS 77036

The Chamber of Commerce of the United States, publisher of NATION'S BUSINESS, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

CHAIRMAN OF THE BOARD
Robert T. Thompson

PRESIDENT
Dr. Richard L. Lesher

GROUP VICE PRESIDENT/COMMUNICATIONS
Dr. Carl Grant

DIRECTOR OF THE PUBLISHING DIVISION
David A. Roe

Nation's Business

EDITOR
Robert T. Gray

MANAGING EDITOR
Henry Altman

SENIOR EDITORS
Barry Crickmer, Del Marth, Seth Kantor, Henry Eason

ASSOCIATE EDITORS
Michael Barrier, Mary-Margaret Wantuck

CONTRIBUTING EDITORS
John Hanly Adams, Bob Gatty, C.V. Glines, James J. Kilpatrick

PRODUCTION EDITOR
Sharon Hockman Ames

COPY/PRODUCTION ASSISTANT
Hanne Caraher

EDITOR EMERITUS
Grover Heiman

ART DIRECTOR
Hans A. Baum

ASSISTANT ART DIRECTOR
Richard C. Freund

ART ASSOCIATES
Lauren S. McDougal, Richard A. Fletcher

PHOTO EDITOR
David Wooddell

CHIEF PHOTOGRAPHER
David Valdez

PRODUCTION MANAGER
Harry N. Miller

ADVERTISING COORDINATOR
Lee Ellen Westell

ADVERTISING DIRECTOR
W. Brett Perrine
(212) 370-1440

ADVERTISING MANAGERS
Atlanta (404) 393-0140
James M. Yandle
Chicago (312) 346-3526
Herbert F. Ohmeis, Jr.
Dallas (214) 387-0404
Richard Chalkley
Dearborn (313) 336-2410
Robert H. Gotshall
Los Angeles (213) 651-1466
Cathy Adler
New York (212) 370-1440
Raymond Murray, Jerry V. Camporine, Donald B. MacGillivray, Mark G. Thomas, Arthur V. Irwin, Jr., Joseph Adduci
San Francisco (415) 421-7436
Hugh Reynolds

INTERNATIONAL ADVERTISING MANAGER
El Motaz Sonbol (202) 463-5716

ASSOCIATE INT'L ADVERTISING MANAGER
Renuka Chander

CIRCULATION DIRECTOR
Judith Stachnik

CIRCULATION MANAGER
J. Michael Craig

PROMOTION DIRECTOR
Marilou K. Sanford

RESEARCH MANAGER
Barbara E. Meyers

BUSINESS MANAGER
Leonard I. Rippa

Nation's Business

March 1983
Vol. 71, No. 3

Cover Story 22
A return to the bad old days of tax, deficit and spending increases could emerge from the U.S. budget debate.

PHOTO: RHODA BAER

What Small Firms Want 26
Small business' Washington wish list centers on interest rates being down and consumer demand heading up.

PHOTO: GARRY McMICHAEL—PICTURE GROUP

Crisis of the Crops 34
Bumper harvests have swelled federal farm program costs without helping farmers. Now there's a new strategy.

PHOTO: JAMES POZARIK—PICTURE GROUP

Why Watt Is a Target 56
Opposition to Secretary James G. Watt goes beyond his environmental policies, two of his defenders argue.

Foreign Trade Furor 5
James J. Kilpatrick expresses discontent with domestic content legislation, recalling the havoc wrought by an earlier protectionist statute, the infamous Smoot-Hawley Act.

CEOs See Better Times 30
The Heller/Roper Small Business Barometer indicates there will be more sales, profits and jobs. Concern over inventories is at a two-year low. But there are no signs of more borrowing.

War for Savers' Dollars 43
A new breed of accounts has enabled banks and thrift institutions to retake ground they lost to money market mutual funds. The funds are fighting back. Here is an analysis.

Keeping a Company Moving 48
J.C. Penney Chairman Donald Seibert started out as a shoe clerk. His company has come a long way, too, shifting to meet changing conditions. But Penney hasn't forgotten its past.

He Says Barter Is Smarter 52
Marvin McConnell has adapted the ancient practice of swapping to today's business world. He has set up a checking account system through which barter can be transacted.

Insiders for a Year 54
White House Fellows spend a year getting to know the real Washington in what is called the nation's "premier internship." They benefit. Business benefits. And so does government.

Latin American Lessons 60
Organization of American States Secretary-General Alejandro Orfila says Latin American nations need people, ideas and investment from U.S. business, but not U.S. moralizing.

Communications Upheaval 62
An exploding technology is providing business with a dazzling array of new communications tools. The teleconference alone will have a profound effect on company fortunes.

How To Pick a Trademark 70
A trademark is one item that becomes more valuable the more it is used. Here is advice on selecting a trademark for your business and what to do with this asset thereafter.

Research on the Rise 73
Expenditures for research and development in this country have been on the rise for a decade, and the increase will accelerate in '83, a study shows. Industry will spend the most.

Important New Court 74
You may never have heard of it, but some say a new tribunal could become the most important federal court for business. Its jurisdiction includes patents, taxes and foreign trade.

Issues in Congress 79
A new feature, which will appear in NATION'S BUSINESS each month, tells how you can be heard on pending legislation that could have a significant impact on your business.

Departments

Washington Letter	7
Letters	10
For Your Tax File	14
Outlook	16
Where I Stand	75
People in Business	77
Editorials	80

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N. W., Washington, D. C. 20062. Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Available by subscription, United States and possessions, $35 for two years, or in combination with *Washington Report*, the business advocate newspaper, $85 for two years. One-year subscription, $22, or in combination with *Washington Report*, $50. Printed in U.S.A. Controlled circulation postage paid at Washington, D.C., and additional mailing offices. *Postmaster:* Please send form 3579 to 4940 Nicholson Court, Kensington, Md. 20795.

ADVANCE TO PARK AVENUE

While we claim no monopoly on luxury, the Buick Electra Park Avenue is amply endowed with elegance and refinement. And while all Buicks imply a certain amount of prestige, the Park Avenue is the most prestigious of all Buicks. Its sophisticated design enhances any environment. Its accommodations, as you can see, are not merely luxurious, but genuinely sumptuous. And its niceties are very nice indeed. Power brakes, power seats, power steering, power windows, power door locks, and air conditioning, for example, are not optional add-ons. They are standard equipment. We invite you to advance to your Buick dealer, for a close inspection of the Electra Park Avenue. Then, buckle up your seat belt and pass "Go." Very, very comfortably.

Official Car of the XXIIIrd Olympiad
Los Angeles 1984

BUICK
Wouldn't you really rather have a Buick?

BY JAMES J. KILPATRICK

How Not To Create Jobs

LET US PLAY a short game of "Who said this?" This is the quotation: "There are certain industries which cannot now successfully compete with foreign products because of lower foreign wages and a lower cost of living abroad. . . . Where necessary, tariff schedules must be revised to the end that the American labor in these industries may again command the home market, maintain its standard of living and may count upon steady employment in its accustomed field."

Did you guess Congressman John D. Dingell of Detroit? Wrong. The speaker was President Herbert Hoover, in the spring of 1930. He was talking about a pending bill that would become infamous as the Smoot-Hawley Tariff Act. More than 1,000 American economists joined in May, 1930, in an appeal to the President to veto the bill, but Hoover was unmoved. On June 16 he signed it.

It is worth a moment or two of your time to contemplate this not-so-ancient history, because the ghost of Smoot-Hawley was hovering over Capitol Hill in December. It is a truism that those who fail to learn from history are condemned to repeat it. The time is at hand, before we resume battle over the foolish "domestic content" bill, to look back at those hard lessons of 50 years ago.

Protectionism has demagoguery for a handmaiden.

Smoot-Hawley became law because well-intentioned men truly believed that all America would benefit from higher duties on foreign agricultural commodities and foreign industries and foreign industrial goods. Unemployment was then creating severe hardships. The senator from Utah, Reed Smoot, and the congressman from Oregon, Willis Hawley, were certain that their bill would create jobs.

What happened? The act immediately set off a wave of retaliatory barriers in other countries. In a matter of months, higher duties became effective in Canada, Mexico, France, Italy and Spain. In 1931 India, Peru, Argentina, Brazil and China joined the parade. In 1928 the United States had enjoyed a modest $1.4 billion trade surplus. By 1935 the balance was $1.8 billion the other way. In 1929 the United States exported $5.4 billion worth of goods. By 1923 exports had dropped to $2 billion. Over a period of four years, the value of world trade dropped from $66.6 billion to $26.3 billion.

So much for Smoot-Hawley. Last December's debate in the House produced some uncanny echoes of 1930. This time the idea was to write into law a requirement that foreign manufacturers include a certain percentage of American parts and labor—domestic content—in their vehicles sold here. A manufacturer selling 200,000 cars a year in the United States would have to have a 20 percent domestic content. A manufacturer like Toyota, selling 900,000 or more, would have to have 90 percent. Proponents said the bill would create 600,000 jobs by 1986 and 1.3 million by 1990.

Proponents made the point—and it is a good, solid point—that free trade ought to be a two-way street but isn't. Our trading partners in both Europe and Japan erect hundreds of barriers to American products. Some of these barriers are blatant; many of them are subtle. By the time Japan has finished imposing a little tricker here, and a little tricker there, the price of an American auto in Tokyo has doubled.

Such arguments prevailed in the House, where the domestic content bill passed on December 15 by a vote of 215 to 188. Time ran out on the lame-duck session, and the bill failed for want of action in the Senate. But the bill will be revived in the 98th Congress, with more than a score of freshman liberal Democrats presumably prepared to vote for it. An estimated 279,000 American auto workers are still unemployed. Anti-Japanese sentiment is increasing; in the hard-hit Midwest, fund-raising drives raise money for charities by selling swats with a sledgehammer at a Toyota—three swats for a dollar. Japan's Prime Minister Yasuhiro Nakasone went home from his state visit last month with the blows ringing in his ears.

PROBABLY THERE IS no need to be excessively alarmed. The Reagan administration is firmly opposed to the domestic content bill. Unless conditions in the automobile industry get drastically worse—and the signs now are that they are getting better—it is hard to imagine that the Senate would join the House in this folly.

But opponents of this wrong-headed measure ought not to be complacent either. Our quadrennial lunacy approaches, when normally sensible fellows get moonstruck by presidential politics. Protectionism has demagoguery for a handmaiden. Let us hope that Nakasone got a message and that his Diet will approve the "fundamental reforms" he promised. Otherwise the grinning ghost of Smoot-Hawley will be back, and the fight will begin anew. □

WASHINGTON LETTER

▶ HOT RECOVERY? Consensus of forecasters is still for modest growth in 1983, with real gross national product up 2.5 to 3 percent over 1982. However, a growing minority among economists now expect something much more brisk. Even Martin Feldstein, chairman of Council of Economic Advisers, says he "would not be surprised" by 2.9 percent. That raises eyebrows in Washington because Feldstein is credited for official administration projection of 1.4 percent, which has been widely regarded as excessively cautious. Gain of 6 percent is considered normal for year following end of recession.

▶ WHY have administration economic policymakers become more optimistic than their own official forecast? "All signs now indicate that we are in a recovery," says Treasury Secretary Donald Regan. "When we made our budget projections, based on the numbers we had last November, we could see no indication that anything had turned."

▶ WILL REAGAN RUN in 1984? Lots of people would like to know, but the President isn't saying. His reason for avoiding early announcement: "If I say that I will not run, then I am a lame duck. If I say that I will run, then I will be accused of having a political motive for everything I do from then on."

▶ JULY INCOME TAX RATE CUT looks safe from attack, says Rep. Barber Conable, ranking minority member of tax-writing Ways and Means Committee. He notes committee Chairman Dan Rostenkowski's "tax freeze" plan is designed to take effect Jan. 1, 1984. That, says Conable, is evidence "the Democrats have realized it is not good politics to cancel the cut."

▶ MORE EVIDENCE that attacking July cut is unsafe comes from consumer opinion poll by Survey Research Center of U.S. Chamber of Commerce. By solid majority of 56 percent, respondents support letting cut go into effect as scheduled.

▶ "TAX FREEZE" proposal from Rostenkowski would actually freeze previously legislated tax cuts yet to take effect. Among those of interest to business: higher exclusions for foreign earned income, higher limit on investment tax credit for used property, higher limits on contributions for pension plans, higher unified credit and lower maximum rate for estate and gift taxes, and higher royalty exemption and lower new oil tax rate under windfall profits tax. Biggest chunk of anticipated $129 billion in added revenue for 1985 through 1988 --$90 billion--would come from elimination of indexing, which is intended to bar unlegislated tax increases resulting from inflation.

▶ BUT ROSTENKOWSKI'S proposal puts him into sharp conflict with House Speaker Thomas "Tip" O'Neill, who reaffirms his support for rolling back July income tax rate reduction. Speaker O'Neill and other House Democratic leaders charge Ways and Means chairman with undercutting party strategy, and Rostenkowski appears to be having second thoughts. One reason: He hopes to succeed O'Neill as Speaker when latter retires.

▶ BUDGET FREEZE PROPOSALS are popping up all over Capitol Hill, in addition to those advocated by Reagan administration. They differ greatly in details, such as scope and duration. But with so much smoke, fire is likely to break out some-

WASHINGTON LETTER

where. U.S. Chamber directors adopted own version: one-year freeze of all automatic federal cost-of-living adjustments, to be followed by cap on future increases at 60 percent of rise in consumer price index. That's average for private-sector cost-of-living hikes. Chamber also recommended additional cuts of $26 billion in fiscal 1984 budget.

▶ CONGRESSIONAL BACKERS of Payment-in-Kind program are trying to head off tax problem that could discourage farmers' participation. It's unlikely necessary legislation can be passed March 11, when sign-up ends, but lawmakers who want PIK to succeed are assuring growers they can sign up with confidence that a bill will pass. As law now stands, farmers would have to report as current income the value of commodities they would receive under PIK program. Proposed change would delay tax liability to year in which commodities were sold. (For details of PIK program, see page 34.)

▶ SOCIAL SECURITY reform package is on fast track through Congress, with insiders betting on smooth, swift passage. Biggest potential threats: Trying to solve long-range shortfall by raising retirement age--favored by majority of reform commission but opposed by key House Democrats; getting tangled up in general budget battle over freezing cost-of-living increases; nongermane amendments in Senate; Republican resistance to tax increases. Package has been criticized as "tax-heavy" by U.S. Chamber and other business groups, but Chamber considers it "starting point" for necessary reforms.

▶ NO SOONER had ink dried on latest Social Security "rescue" plan than suspicions began to arise that it, like all its predecessors, may be inadequate. Social Security Administration's own actuaries now fear that long-term funding shortfall--which reform commission left unresolved--may be worse than formerly estimated. And some outside experts are questioning whether commission's recommendations would be sufficient even to eliminate 10-year deficit of $150 billion to $200 billion. Solutions? Raising retirement age and extending cost-of-living freeze to one year or more are suggested by experts. Congress, however, may try to paper over cracks with infusion of general revenues.

▶ REPUBLICANS in House are upset over party ratios on important committees. They charge that Democrats are being assigned to these slots in numbers larger than justified by 62 percent Democratic majority in full House. Disparity is especially apparent on subcommittees of Energy and Commerce Committee. Democrats, mindful of conservative coalition that cost them control of House in last Congress, say they are merely trying to assure "a working majority."

▶ CHANGES COMING in two major economic indexes. Commerce Department is revising leading and lagging indicators, effective with figures for January (released this month). Added to leading index: change in business credit. Dropped: liquid assets. Also, petroleum and natural gas prices have been dropped from materials prices component, and new method adopted for calculating business formations. For lagging index, weighting of prime-rate component has been changed and business-inventory component has been replaced by ratio of inflation-adjusted inventories to sales. These changes--including several long advocated by economists--and some other minor alterations are expected to improve accuracy of indexes.

▶ PRODUCT LIABILITY LAW handbook of 174 pages, prepared by Legislative Drafting Research Fund of Columbia University, is now available from National Chamber Foundation, which funded project. It analyzes application of existing law, with citations, as well as various options for reform. May be ordered from Foundation at 1615 H Street, N.W., Washington, D.C. 20062. Price per copy is $15.95 soft-cover and $22.95 hard-cover.

Who's Entitled to What?

Re: entitlement programs [Where I Stand, January; see page 75, this issue].

Beginning in 1984, the government could phase out the Social Security program by not requiring young adults to apply for a Social Security number, thereby gradually eliminating the program altogether.

Those who want to have a pension plan could then set up an IRA account at their place of employment (or it could be mandatory). The advantage: The money would earn interest and be vested savings.

DEONNE SWEET
Henderson, Nev.

One of the better ways to save money for Social Security is to let individuals age 65 and over keep working if they so desire. When they keep paying instead of receiving, give them a tax break after age 65. Many would never draw Social Security.

T.C. WOODWARD
Gem Equipment Company
Ventura, Calif.

I am appalled that the readers of NATION'S BUSINESS would vote 2 to 1 to keep the retirement age at 65. I thought this group would be smarter than that.

Something must be done about the entitlement system. Who decided that people are entitled to leisure at age 65?

Nobody is entitled to anything in this life, except the right to work and provide for themselves. People are not entitled to something that doesn't exist.

M.D. WARD
President
Texas Clay Industries
Malakoff, Tex.

A few suggestions on entitlement programs:

- A national program of personal trust funds. Each individual's earnings would go into his or her own trust and build with interest and principal until retirement.
- A modification of the confiscatory nature of the federal income tax system so that any productive individual could diversify his own earnings in retirement programs, investments, other businesses or whatever, thus establishing his own social security.
- Save money by trimming the bureaucratic system, the voluminous regulatory apparatus that controls the entitlements.
- Let the philanthropic and religious communities minister to some of these social needs. They used to do that before the politicians sold the country on the philosophy of Big Brother government.

J.F. BURKE, JR.
York, Pa.

One of the main reasons I believe that entitlement programs should be slowed is that I know of several persons who get more tax-free money than my wife and I can take home after paying our taxes. The best example I know of is the Veterans Administration pensions.

SAMUEL W. CALLIHAN
President
Morrilton Security Bank
Morrilton, Ark.

Make us strong again

Re: "U.S. Arsenal: Still Too Puny" [December].

Detroit was once the arsenal of democracy—and could be again, with just a little consideration from the federal government. Unless this happens, our defense posture will suffer and we will no longer be able to compete for world supremacy.

JOSEPH E. STERMER
President
Southern Wayne County Chamber of Commerce
Taylor, Mich.

Apples and oranges?

Re: "Amtrak: High Cost for Low Quality" [Outlook, January].

Your article is guilty of the same tunnel vision that afflicts the many other sources that merely parrot what they have heard or read previously.

It quotes a think tank researcher who says: "Amtrak's market share is a paltry 0.3 percent of intercity passenger travel."

I am so tired of hearing that half-truth comparison I could scream. Intercity transportation refers to travel between all cities. Amtrak hardly goes to all cities, but check the statistics on

Send letters to Editor, NATION'S BUSINESS, *1615 H Street, N.W., Washington, D.C. 20062, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.*

CHEVY OFFERS TOUGH DIESEL POWER IN ALL ITS FULL-SIZE 1/2-TON AND 3/4-TON PICKUPS.

Ford doesn't offer a diesel in its ½-ton pickups—or in any ¾-ton pickup under 8500 lbs. GVWR. But Chevy does. That's significant, considering that 95% of all pickups bought in America today are ½-ton or ¾-ton. Chevy, not Ford, offers a diesel option for the type of pickup you'll most likely be looking at, as well as diesel power for 1-ton pickups.

America's most popular truck diesel. Already a highly accepted powerplant, the optional 6.2 Liter (379 Cu. In.) V8 Diesel is now in service in well over 100,000 Chevy full-size Pickups, Vans, Suburbans and Blazers. That says a lot about the 6.2's popularity among light-duty truck owners.

Rugged power for moving up to 13,500 lbs. The 6.2 has plenty of brawn for hefty hauling and the day-to-day grind. This engine was specifically designed and built for truck use. So it packs plenty of torque. A properly equipped full-size Chevy Pickup with the available 6.2 Diesel can move up to 13,500 lbs., including itself, trailer, passengers, cargo and equipment.

3-Year/50,000-Mile Power-Protection-Plus Limited Warranty on Diesel Engines. Subject to deductible after first 12 months/12,000 miles. See your Chevy dealer for full details.

Beats the ratings of Ford's and Dodge's most fuel-efficient gas-powered V8 pickups by 7 EPA Est. MPG. This kind of EPA mileage estimate is bound to get people thinking "Diesel Chevy Pickup." Ask your Chevy dealer for full details on his Diesel Pickups soon.

31 EST. HWY. | **23** EPA EST. MPG — 2WD C10-20 Pickup with Optional 6.2L V8 Diesel and 4-speed manual O.D.

Use estimated MPG for comparisons. Your mileage may differ depending on speed, distance, weather. Actual highway mileage lower. Some Chevrolet trucks are equipped with engines produced by other GM divisions, subsidiaries, or affiliated companies worldwide. See your dealer for details.

Let's get it together . . . buckle up.

C10 Diesel Chevy Pickup

travel between cities Amtrak does serve, and you will find a healthy share. Comparing Amtrak with all intercity transportation makes as much sense as telling me about intercity steamship travel.

Rail passenger transportation is just as viable—with adequate service—as any other mode. WILLIAM F. SPRAGUE
Cincinnati

Silly to stop now

Re: "The Breeder's Birth Pains" [December].

I find it difficult to believe that although our government pours untold dollars into something as elusive as fusion research, it cannot justify allocating far smaller sums for something as practical as a breeder reactor.

Didn't someone, sometime, say something about a bird in the hand, etc., etc.? BERT BUEHLER
Chatham, N.J.

The human factor

Re: "Making Backaches Less of a Headache" [Outlook, January].

Though ergonomics is gaining recognition, a synonym—human factors engineering—has been in use for decades.

The article implies that there are fewer than 100 ergonomists in the United States. My company alone provides the services of about 100 ergonomists/human factors specialists. The Human Factors Society, our professional organization, has more than 3,000 members.

Ergonomics deals with the broad area of the relationships of individuals to their machines and systems, as well as the design of jobs. There is hardly an instance where the application of ergonomic principles cannot result in people-related improvements as well as an increase in productivity and reduction of costs. CLARENCE A. SEMPLE
Vice President
Canyon Research Group of Essex Corporation
Westlake Village, Calif.

Those big bills

Re: the spurt in demand for high denomination currency [Washington Letter, January].

Ten years ago a $50 bill was scrutinized closely everywhere. Today I use them routinely in grocery shopping and traveling. I even cashed one recently in a fast food restaurant to pay for a $15 order (the young girl did have to get approval from a supervisor in order to ring it up—no problem). Hundred-dollar bills are taken routinely at the car repair shop now.

Instead of looking for "underground economy" bogeymen, the federal officials should accept the fact that $50 and $100 bills are no longer high denomination currency, any more than $20 bills were 10 years ago. L.E. STEPHENS
Justice, Ill.

Unemployment, in real terms

Re: "Does the Jobless Rate Do the Job?" [November].

I have seen no one discuss the difference between the number of unemployed persons in 1940 and their number in 1982 in real terms, that is, in terms that mean something. In 1940 it was not expected that many wives or teen-agers would be part of the labor force. It was not until Rosie the Riveter came along that women started to be considered part of the "working" population. Therefore, the pre-World War II figures show that there was a much, much higher percentage of unemployed persons 43 years ago than now, and it is too bad that those responsible for spreading the truth have not taken this into consideration.

If they have, they have deliberately helped to distort today's picture, for reasons that should be obvious to the thinking person, employed or unemployed. MIKE PARKHURST
Editor and Publisher
Overdrive
Los Angeles

Don't fumble the ball

Re: the Job Training Partnership Act ["A Victory for Business—and a Challenge," January].

Chambers of commerce now have substantial responsibilities under the new act. To those listed in the article, I would add:

- Chamber executives must become experts on the new law.
- Core members of the new private industry council must be willing to devote a substantial amount of time to get the program off the ground.
- PICs should incorporate if they handle any money.
- A comprehensive agreement between elected officials and the PIC is the key to successful administration.
- Experienced existing CETA staff members should be considered for positions when hiring new staff.
- No one industry group should be allowed to dominate the PIC.

The ball is now in our court, let's not fumble it. PETER A. LOEDDING, AICP
Executive Director
Shenango Valley Chamber of Commerce
Sharon, Pa.

Getting Ready for April 15

By John Hanly Adams

To help you meet the April 15 deadline for your federal tax return on 1982 income:

• The Internal Revenue Service offers toll-free telephone information aid; look under "U.S. Government" in your local directory white pages. But call early; lines will often be jammed. With a push-button phone you can get recorded Tele-Tax aid. Ask a bank or library for an IRS booklet listing topics and phone numbers. You pay for any toll on a Tele-Tax call.

• Need more time? By filing Form 4868 on or before April 15, you can wait four months (up from two last year) to file your return. But you have to include a check for the estimated tax due. And remember: You pay 16 percent annual-rate interest, starting April 15, on any 1982 tax not paid by that due date, plus a late-payment penalty of ½ of 1 percent a month if your underpayment exceeds 10 percent of the amount due.

• Reminder: You can cut your 1982 tax bill by depositing Individual Retirement Account or Keogh (self-employed) plan contributions before you file your return. Limits: In an IRA, $2,000 a year per working person (thus $4,000 for a working couple) and $2,250 for a couple with one "nonworking" spouse; 15 percent of net income (up to $15,000) in a Keogh, which had to be set up before Dec. 31, 1982.

• Last word: IRS has upgraded its computers that match your return with data your employer, clients, banks, pension payers, dividend payers and others now must report to IRS. Those computers grind exceedingly fine—and exceedingly fast. So millions are likely to get their first "Gotcha!" notices from IRS as 1982 returns are sifted. But IRS is wrong sometimes. Keep good records and you can fight and win—if you haven't ignored or misapplied the law.

Unemployment Pay Tax

Here is a bit of news that may come as a rude shock for anyone—you, employes, relatives, friends—who drew unemployment compensation in 1982: You can owe income tax on it.

The 1982 tax act lowered the income threshold above which unemployment benefits are included in taxable income, from the previous $25,000 ($20,000 for singles) to $18,000 ($12,000 for singles) of 1982 income.

Many who worked at least part of 1982 had adjusted gross income (earnings less exemptions/deductions) above the new threshold amounts, when unemployment pay is added; especially those with working spouses. And 50 percent of the excess over the threshold amount is taxable.

Example: Jones, a single taxpayer who earned $12,500 in 1982 and drew $1,500 in unemployment pay. He had no other income or deductions. So his earnings plus unemployment benefits totaled $14,000, or $2,000 above the threshold. Half of that is taxable. After taking out his personal exemption of $1,000, his federal tax is $1,765. Without the unemployment pay his tax would be $1,545. In effect he's liable for $220 federal tax on his $1,500 of unemployment benefits—a nasty surprise for many.

Leasing "Time Bombs"?

Leasing transactions hastily set up in the wake of the 1981 tax act often contain "ticking time bombs"—taxwise—that IRS auditors will activate when they come across them, according to Arthur D. Little, Inc.

Stephen Low, of the Cambridge, Mass., consulting firm, says experience is showing that "routine perusal of boilerplate leasing contracts is no longer enough to protect both parties" in leases, which now range from $1,000 car or computer deals to multimillion-dollar transactions.

Reporting Stock Gains

Stock investors should know about a new rule allowing a choice of years for reporting gain on year-end sales.

The old rule said a gain must be reported as income in the year of the settlement (payment) date, which is always five working days after the trade (sales) date, and thus falls in the next year in late December sales.

That is repealed, as of 1982. You now have a choice. You can treat such a transaction as an installment sale, as in the past, and take the gain as income in the year of the settlement date, or—and this is the new twist—you can "elect out" of installment-sale rules and report the gain as income in the trade (sale) year.

See Revenue Ruling 82-227.

Anchors Aweigh for Cruises

Congress in recent years cracked down on deductions for convention expenses, particularly for foreign trips, and banned tax breaks entirely for cruise-ship travel. But in last December's lame-duck session Congress bowed to the "love boat lobby," approving up to $4,000 expenses per couple ($2,000 for singles) for conventions or conferences on Mississippi River and Hawaiian-waters cruises.

Self-Insuring Riskier Now

High-bracket taxpayers often figured it was better to self-insure or underinsure on vulnerable property, because their casualty/theft tax deduction would cover much of any loss. But the drop in the maximum income tax rate from 70 to 50 percent has changed things. So has the higher nondeductible loss limit starting this year. Losses are now deductible only above 10 percent of adjusted gross income; before, it was 3 percent.

Withholding Rules

Three useful booklets on new rules for withholding on interest and dividend payments are offered free by Arthur Andersen & Company at local offices or by mail from the accounting firm's communications department, 69 W. Washington St., Chicago, Ill. 60602. Ask for "Implementing Withholding at Source on Interest and Dividends," "1982 Tax Act's Impact on Security and Commodity Industries" and "Impact on Banking and Savings Institutions." □

Note: For Your Tax File *is an information service for readers. See tax and legal advisers for guidance on all specific cases.*

B.D.
(Before Dictaphone)

A.D.
(After Dictaphone)

Before Dictaphone,* it seemed the only work I did was paperwork. I never had time to think.

After Dictaphone,* I'm getting a chance to show what I really can do. There's no stopping me now.

It's hard to get ahead in business when your days are spent trying to keep up. What you need is a Dictaphone desktop dictating machine. It lets you whiz through piles of paperwork. Instead of writing everything down by hand, you simply talk it down on tape. The result? More time to think. With a Dictaphone desktop, you'll get out from under that mountain. And maybe become King of the Hill.

I'm bogged down in paperwork.
Please tell me more.

Call toll-free
1-800-431-1708
(Except Hawaii and Alaska)
In New York call 1-914-967-2249.

Or write: Dictaphone Corporation
120 Old Post Road, Rye, New York 10580

Name ______________________

Title ____________ Phone ____________

Company ______________________

Address ______________________

City ____________ State ________ Zip ________

Dictaphone is a trademark of Dictaphone Corporation.
*Dictaphone Corp. is a Pitney Bowes Company ©BNB-33

Dictaphone
A Pitney Bowes Company

Lower Interest Rates May Spur Foreign Sales

PHOTO: FRENCH OIL MILL MACHINERY COMPANY

The manufacturer of vegetable oil extractors like this one is eager to make more sales abroad.

By the second half of 1983 the recent drop in interest rates on loans offered by the U.S. Export-Import Bank is expected to have a good effect on many small businesses that sell to foreign customers.

Companies that sell machine tools, durable goods and engineering services in the highly competitive international marketplace will benefit especially from Eximbank's direct credit loans, which the independent U.S. agency makes directly to foreign buyers.

Eximbank Chairman William H. Draper III announced in January that the bank's rates would drop to as low as 10 percent to match those offered by the central banks of 21 other nations.

This "should help American companies win more foreign orders against officially supported financing competition," says Draper.

One small-business exporter, Evan A. Werling, says, however, that what Eximbank has done "helps make us competitive but not fully competitive."

Werling is vice president and treasurer of the French Oil Mill Machinery Company, a family-owned business in Piqua, Ohio. Werling's company, which manufactures vegetable oil extractors, has depended heavily on foreign sales since the turn of the century. Under the Eximbank's new policy, his company can get a medium-term loan to finance a sale to Mexico at 10.85 percent (down from 12 percent). But medium-term loans are processed through U.S. commercial banks, which add 1 percent.

"That means we still have to pay 1 percent more than foreign competitors do to compete for a sale in Mexico or elsewhere abroad," says Werling.

Overall Eximbank policy has slowed small business' foreign growth, Werling says, and as a result his payroll has dropped from nearly 350 employes in 1981 to 230 now—the first layoffs in the 83-year history of French Oil Mill Machinery.

Existing Businesses: Better Job Producers

Local economic-development programs might do better to encourage expansion of existing small businesses than to try to attract new enterprises, a Brookings Institution study suggests.

The analysis notes that existing businesses created twice as many jobs in 1978-80 as were provided by new companies. Brookings, a Washington-based organization that performs research on economic and public policy issues, cites other studies that show the majority of new businesses do not survive four years.

"These two factors," the Brookings report says, "raise doubts about the potential effectiveness of economic-development policies focusing on attracting new business establishments."

There is a much larger initial audience for policies designed to encourage expansion of existing firms, Brookings says, and if those policies succeed, "there is a much lower risk of the employment gain being only temporary."

The Brookings study adds that effective steps to encourage expansion of local businesses can include tax incentives, deregulation, patent protection for innovations and easing of licensing requirements.

Rx for an Attack Of "Audit Anxiety"

What tax specialists refer to as "audit anxiety" is probably more prevalent among smaller businesses than among big companies with sizable accounting staffs.

Matthew Bender & Company, which publishes law books for tax and other professionals, offers a checklist designed to allay that anxiety.

"A surprising number of audit-selection criteria are discoverable and can be used effectively to avoid a tax audit," Bender says.

It cites these top 10 triggers for tax audits by the Internal Revenue Service:

- Form 1040 business returns listing total gross revenues of $100,000 or more or substantial business losses.
- Nonbusiness Form 1040 returns with total income of $50,000 or more.
- Returns reflecting tax shelter activity.
- Returns naming preparers who are on the IRS list of problem preparers.
- Relatively high amounts of unreimbursed travel and entertainment expenses, disproportionate to reported income.
- Deductions for business use of an automobile, particularly if the need for such use is not readily apparent from the occupation listed.
- Claims of casualty losses.
- Barter income (the value of goods or services received in an exchange), which can trigger an audit if one party to the exchange reports it and the other party does not.
- A deduction for a home office.
- Losses reported on farming, horse-breeding or other activity that might be considered a hobby rather than a business.

The triggers are listed in *Bender's Dictionary of 1040 Deductions for 1983.*

INTRODUCING THE MOST QUALITY PER DOLLAR.

GUARANTEED.

THE JOHNSON SDL RADIO

If your business is on the move, you may already be sold on the benefits of FM two-way radio.

But before you buy, make sure you get the most quality per dollar. Backed by the longest, strongest warranty.

That describes the new Johnson SDL Radio. A series of synthesized dispatch line radios with more quality features than any other make.

High power, with 55 watts at VHF and 35 watts at UHF. Single piece, die cast chassis for super durability.

PROM programmability for instant installation with no wait for factory produced crystal. RF pre-amp for greater sensitivity, better reception in fringe areas. A complete list of options for more flexibility and expandability as you grow. Plus, many other features.

All backed by a warranty that gives you a full year's 100% coverage on all parts and labor. The best in the business for the best synthesized FM two-way radio you can buy.

The new Johnson SDL Radio. Made by the company not only challenging but pacing the two-way radio industry.

JOHNSON
® Radio Products Division
THE CHALLENGER

Phone toll-free 800-328-5727 Ext. 122 (In Minnesota 800-742-5685 Ext. 122) or mail this coupon today.

☐ Please send me a free Johnson SDL Radio brochure.

☐ Also, please have my Johnson dealer call to arrange a free demonstration.

Name

Company

Address

City State Zip

Phone No. of vehicles

Mail to: E.F. Johnson Company, Radio Products Div., Box 1249, Waseca, MN 56093

Perils Loom for Housing Investors

PHOTO: CHRIS CROSS—UNIPHOTO

The real estate market in the 1980s requires new skills, an expert says.

Investors in rental housing in 1983 and beyond will have to possess "unprecedented sophistication" to deal with the market's growing complexities, according to a major real estate investment and advisory firm.

Gone are the days of the "do-it-yourself marketplace of the 1970s in which virtually anyone could profit," says Allen Cymrot, managing general partner of California-based Allen Cymrot & Associates.

Real estate investment in the '80s "offers little mercy to the amateur operating on his own," Cymrot maintains.

The market is no longer dominated by long-term, fixed-rate mortgages and lenders who merely dispense loan funds. Today the lender's role can range from having some equity position in an investment to taking a portion of the cash flow, or both. Add to this the vast array of financing techniques, interest rates and maturity periods, and the picture becomes complicated, requiring investor skills "analogous to those of a corporate chief financial officer," Cymrot says.

He also cautions investors that they should consider purchasing older properties only after expert engineering evaluations have been made.

A third crucial prerogative for success is that an investor have a detailed grasp of the demographic picture throughout the country.

SEC Puts Itself On Deregulation Alert

The Securities and Exchange Commission intends to take an especially sharp look at disclosure of financial information by corporations and bank holding companies this year.

John Fedders, director of the SEC's enforcement division, says financial deregulation is proceeding at a time when the economy is in difficulty and corporations and banks may want to keep some negative fiscal information from stockholders, creditors and customers.

Speaking before the annual conference of the American Institute of Certified Accountants, Fedders said the SEC intends to enforce the laws so that financial deregulation is not abused.

Fedders sees four corporate problem areas that need addressing:

- Lack of liquidity because of decreased inflow of collections from sales, lack of credit availability and inability to meet maturing obligations.
- Changing operating trends as a result of declining orders and cost overruns on major contracts.
- Substantial increases in problem loans (in cases where loan interest has been deferred, for example).
- An increasing number of business failures.

Fedders cautions accountants to watch out for companies that intentionally overstate inventories, overvalue marketable securities, artificially structure year-end balances and hide their true fiscal picture by recognizing revenues prematurely.

A Fight Over How Dues Should Be Spent

Spending millions of dollars in union dues on political activities, conventions and social events may violate the rights of employes who pay those dues.

In a case with sizable financial ramifications for organized labor, 200 Western Airlines employes are asking the Supreme Court to decide their protest of alleged misuse of their compulsory union dues.

The employes contend that the dues they are forced to pay as a condition of their employment are being used by officials of the Brotherhood of Railway, Airline and Steamship Clerks for union political activities and other noncollective bargaining expenses that the employes oppose.

A federal district court ruled in 1976 that such spending violates the employes' rights under the Railway Labor Act. The court ordered refunds of all compulsory dues spent for politics, union conventions, union organizing of other employes and union social events—in short, any activity not directly related to collective bargaining.

Last September an appeals court reversed the lower court's decision.

A Supreme Court decision is now being sought by the National Right to Work Legal Defense Foundation, an organization representing the employes. It provides free legal aid to workers who believe their rights are violated by compulsory union membership.

Nonunion Workers May Win Pay Race

Nonunion workers will receive higher average wage increases this year than union workers, according to Joel Popkin, president of a Washington economic consulting firm.

Popkin forecasts that the average wage increase in 1983 for union workers in the private sector will be 5.4 percent. That will be down from an estimated 6.9 percent last year, 9.6 percent in 1981 and 11 percent in 1980.

Nonunion workers will receive an average raise of 6 percent in 1983, says Popkin, about the same as last year and down from 8.6 percent in 1981 and 8.2 percent in 1980.

"The average wage increase for union workers," says Popkin, "is predicated on the assumption that of the 3.6 million workers bargaining this year those who do not have cost-of-living-adjustment clauses will receive 7 percent first-year increases while those with COLA clauses will receive 3 percent first-year increases."

He points out that some 3 million union workers will receive deferred increases (negotiated in prior years) averaging 6.1 percent, and that some are scheduled for cost-of living hikes of 3.6 percent. Weighted and averaged, the rate of increase is 5.4 percent, Popkin says.

He forecasts average wage increases of 6.1 percent for both union and nonunion workers in 1984.

Since the late 1960s, union wage hikes have set the pace—but that's changing.

PHOTO: DAVID VALDEZ

ECONOMY

A Vote Against Loose Money Policy

The Fed's Henry Wallich: Inflation would wipe out temporary gains.

Would the tight-fiscal, loose-monetary policy mix recommended by some economists be beneficial? No, says Federal Reserve Board member Henry C. Wallich.

Advocates of the approach say that reducing the federal deficit by some combination of tax increases and spending cuts could lower real interest rates. Simultaneously, the argument goes, the depressing effects of fiscal contraction could be offset by expansion of the money supply.

Wallich acknowledges that "if a temporary change in the money supply were reversed in a timely fashion and the extra money put into the economy taken out again, no lasting damage and some temporary benefit would result." But such precision, he warns, is "virtually beyond our powers."

Accelerating the money supply for an extended period might lower interest rates temporarily, Wallich says, but the inevitable result would be more inflation and higher interest rates eventually. "All the lasting benefit" of a loose-money, tight-fiscal policy "comes from the reduction of the deficit," he concludes.

New Ways To Gauge Economic Distress

The unemployment and poverty statistics that often stimulate changes in public policies "do not illuminate the real economic condition of the nation's labor force," according to a group of experts headed by Juanita Kreps, Secretary of Commerce in the Carter administration.

The panel, calling itself the Advisory Committee on Hardship Measures, suggests that the government publish three new measures of economic well-being to supplement those now available.

These three indicators would show the number of persons in the work force whose individual earnings for the year are less than the minimum wage equivalent for the total number of hours they are available for work, whose total household earnings are below the poverty level and whose total household earnings and unearned income are below the poverty level.

The new measures are needed, the panel says, because present unemployment figures "both overestimate and underestimate economic need in the labor force."

For example, it says, "in 1979, more than half of those unemployed at some time lived in households with total annual incomes in excess of $15,000." On the other hand, "approximately two thirds of labor force members who earned less than a minimum wage equivalent for the year experienced no unemployment."

ENVIRONMENT

The Gritty Battle Over Clean Air

A new Congress is colliding with an old nemesis—the Clean Air Act. And, unfortunately, nothing indicates that the confrontation will be any less divisive than previous ones.

The act officially expired in September, 1981, but disagreements over amendments have kept it from being reauthorized. Instead, Congress has hooked it up to a respirator, keeping the act's old requirements in force until a new version can be passed.

It may remain on the respirator for many months. The Reagan administration and business have not lowered their sights—both favor easing of those provisions that unnecessarily hamper economic growth, and advocate applying a cost-benefit analysis to the act's requirements. At the same time, a strong environmental lobby is holding out for merely "fine-tuning" the act.

The November elections resolved little. Sen. Robert T. Stafford (R-Vt.) and Rep. Henry A. Waxman (D-Calif.), both "fine-tuners" and influential in any clean air action by Congress, were reelected.

Meanwhile, lingering inaction is taking its toll. Under the existing act, all but six states face a federal funds cutoff for having failed to meet clean air deadlines by Dec. 31. The $4 billion involved includes highway aid monies, at a time when federal and state governments are pushing job-creating highway repairs.

Is It Time To Junk Catalytic Converters?

An environmental expert is asking Congress to investigate catalytic converters on autos to see whether they should be abolished.

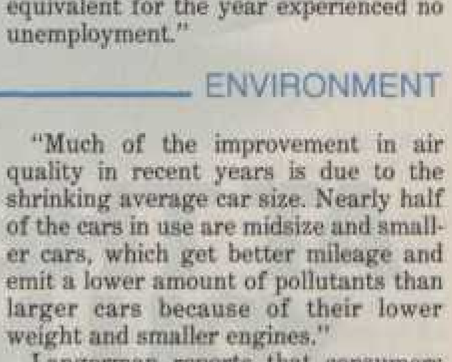
Paul Langerman, who studied mobile source pollution laws for the Heritage Foundation, contends the converters actually increase the incidence of acid rain. He says the devices are a source of sulfur dioxide, which is a factor in acid rain.

"It is becoming increasingly apparent," he says, "that the liabilities outweigh the assets in any accounting of the value of the catalytic converter and air pump."

He cites studies by the Environmental Protection Agency and Chrysler Corporation to support his contention that the converters produce large amounts of sulfur dioxide. He adds:

"Much of the improvement in air quality in recent years is due to the shrinking average car size. Nearly half of the cars in use are midsize and smaller cars, which get better mileage and emit a lower amount of pollutants than larger cars because of their lower weight and smaller engines."

Langerman reports that consumers could save $5.4 billion or more in 1983 through the rapid phaseout of most auto pollution controls. He also urges repeal of the "no lead" gasoline regulation, arguing that its cost is greater than its benefits and that its repeal could save consumers another $9.8 billion in 1983.



Antipollution devices contribute to acid rain, an environmental study argues.

First!

Asia's first international airline would like to invite you to experience some important "firsts" and a touch of class you won't find anywhere else.

It's our First Class. And with award-winning Nouvelle Cuisine, more full-length beds, and daily flights from the West Coast to Manila, it's no wonder Asia's first airline still is.

Class!

Philippine Airlines

Asia's first airline still is.

Amsterdam Athens Bahrain Bangkok Brisbane Canton Dhahran Dubai Frankfurt Hong Kong Honolulu Jakarta Karachi Kuala Lumpur Kuwait London Los Angeles Manila Melbourne Peking Port Moresby Rome San Francisco Singapore Sydney Taipei Tokyo

WASH/E/1

"When your annual volume is heading toward $10 million, it's time to look for big bank savvy and muscle.

But that doesn't mean you have to go out of town. In fact, we didn't even have to switch banks.

Because we're with First American Bank of Virginia. Right where we started 5 years ago with a checking account and a line of credit. And where we've always found the support we needed to grow.

Now that we need even more service and expertise, they're big enough to help us keep on growing.

They know all about the Government Contract Financing that's critical in our business. And they're way out front on Cash Management and Employee Benefit Programs.

Today when we hear other execs from around here talk about flying up to their big New York bank, we just smile. Because we're getting all the big bank we can use—right next door."

1st American Bank of Virginia

All the bank you can use. Right next door.

Shipping Less but Enjoying It More

PHOTO: KAREN SHERLOCK—PICTURE GROUP

Polish workers on a cigarette break: They prefer the American brands.

Looking at the world market, U.S. Agriculture Department analysts find American exports of leaf tobacco and packaged cigarettes are down—yet revenues are up.

During a 10-month period in 1982, for example, exports of flue-cured and burley leaves from America declined 3 percent in volume, but the value of those sales was up 7 percent, compared with the same period in 1981.

U.S. cigarette sales abroad dropped a steep 11 percent in volume. But the value of the exports was $1.03 billion, which matched the 1981 figure for the same 10 months.

Prospects for a worldwide rise in production levels look good for 1983, say the forecasters in Washington. That means increases in South American, African, Asian and Australian tobacco output. The U.S. is expected to hold its share of the world market because of the quality of American blends. It remains hard to get American cigarettes in many countries. In Poland, for example, where smoking is heavy, American brands bring the highest black-market prices. Domestic Polish cigarettes are rationed—12 packs a month, per adult.

Hollywood's Glitter Is Dimmer Overseas

The heroics of Gary Cooper, the glamour of Greta Garbo, the comedy of Charlie Chaplin, the fantasy of Walt Disney—for decades, millions of people in foreign countries have been held spellbound by Hollywood movies. But Hollywood has fallen on some hard times abroad and faces bigger problems in the years ahead.

Murray Weidenbaum, former chief economic adviser to President Reagan, notes in a study of foreign trade policy that Japan, Canada and major European countries have imposed quotas on foreign films.

At Motion Picture Association of America headquarters, two blocks from the White House, there is a lot of concern about such foreign restrictions on Hollywood films.

Retiring MPAA Executive Vice President Griffith Johnson says that strict import quotas and heavy special taxes are being imposed on U.S. films in such countries as Taiwan, Spain, India and Brazil.

France's minister of culture talks of imposing new barriers against imports of American films, and there is a growing problem of conflicting foreign laws governing the use of movies on videotape cassettes and affecting the distribution of royalties.

Johnson says, however, that Britain recently lifted its longtime screen quota system, which specified that a certain percentage of movies shown there had to be British-made.

No April Fooling at the Gas Pump

Despite a quick drop in automobile gasoline prices at the neighborhood pumps after the Organization of Petroleum Exporting Countries pricing and production agreements collapsed this winter, look for an upward move in gas prices this spring.

On April 1, the federal highway-user tax increase of 5 cents a gallon goes into effect—on top of the existing 4-cent federal excise tax on motor gasoline and diesel fuel. In all, that's a 9-cent federal tax on the fuels.

In addition, suppliers of gasoline are concerned that new state taxes will be hooked onto the federal tax hikes. American Petroleum Institute President Charles DiBona fears his industry will be in for a hard fight this year as state legislatures consider imposing gasoline taxes.

DiBona opposes President Reagan's proposed three-year standby excise tax increase, which would go into effect in fiscal 1986 and raise gas prices an estimated 12 cents a gallon. A spokesman for DiBona says the President's standby tax proposal "only inserts uncertainty into the market. It's not sensible policy."

Meanwhile, U.S. domestic industry observers doubt that OPEC will fall apart completely. "These guys have a joint interest," says one of those observers about the oil-producing nations. "They will reach some kind of understanding to slow the rate of price decreases."

Auto Insurance: Up, But How Much?

Personal auto insurance rates may rise again this year, say property/casualty insurers. But how much is still uncertain. Over the last three years, personal auto insurance premiums have jumped an average of 8.6 percent a year. A major reason: Insurers—in fierce competition for greater shares of the commercial market—have been offering lower commercial rates and making up some of their losses in increased personal insurance rates.

Other reasons for higher personal rates are growing medical and auto repair costs. According to the Insurance Information Institute, from 1972 through 1981 the average paid bodily injury claim rose 131 percent, from $1,926 to $4,453; the average paid property damage liability claim climbed from $355 to $889.

PHOTO: LES MOORE—UNIPHOTO

Drivers have been paying 8.6 percent more each year for accident insurance.

Young women drivers may be facing an additional increase of 25 to 30 percent in auto premiums if Congress passes legislation eliminating sex as a rating factor for insurance. Currently, young females pay less than young males because they have been found to be safer drivers.

But André Maisonpierre, senior vice president of the Washington-based Alliance of American Insurers, maintains that males could still find themselves in the back seat. He explains that insurers would undoubtedly compete for female clients and relegate young males to the assigned risk pools. □

Defense Secretary Caspar Weinberger and his generals are fighting to preserve their budget gains.

Rep. Newt Gingrich says too many of his colleagues get "re-educated" out of their beliefs when they come to Washington.

The Budget Threat To the Recovery

SIGNS OF economic improvement are accumulating, but business planners see a familiar threat on the horizon in Washington. They fear that a renewed tilt toward tax, spending and deficit increases will emerge from the debate over the fiscal 1984 budget.

Ronald Reagan was elected with a mandate to end that tilt, which had dominated federal fiscal policy through 1980. Now there is worry about a return to old ways—a return that would have a major, harmful impact on the economy over the next several years.

President Reagan's budget, which will serve as a floor for tax and spending levels to be set by Congress, anticipates deficits totaling $738 billion in the 1983-86 fiscal years and a federal budget pushing $1 trillion in the final year of that period.

Those figures are based on the unlikely assumption that Congress will accept the Reagan recommendations for a one-year freeze in nondefense spending, but there is already resistance on Capitol Hill to even modest restraint in outlays for social programs. The deficits could be considerably higher than those Reagan predicts, and the $1 trillion budget could arrive even earlier than he expects.

Business is seriously worried that fiscal choices are rapidly being reduced to two: crushing deficits or tax increases, either of which could slow if not wipe out the recovery.

There is growing skepticism about the durability of the spending restraint adopted in 1981 under strong presidential pressure. Business is stepping up efforts to give spending cuts higher priority than the Reagan administration has given them this year.

The board of directors of the U.S. Chamber of Commerce said after an appraisal of the fiscal-policy situation: "Tax increases should be avoided; expenditure reductions should be the primary route to reducing the deficit. . . . A tax increase at this time would substantially reduce the possibility for any type of a sustained economic recovery. In the long run, the health of our economy is dependent upon rolling back even further the share of our national wealth claimed by the government."

The fight over the 1984 budget involves the question of the future of Reaganomics and the hope it offered for fundamental change in U.S. fiscal policies.

Among developments in the early phase of the budget debate:

- The administration was standing firm on its call for a 14 percent increase in defense spending—10 percent after accounting for inflation—in the face of congressional and business insistence that controlling the deficit is impossible without moderating the defense buildup.
- More effort was being devoted to rationalizing tax increases than to making spending cuts. The President asked for standby tax increases that would take effect in fiscal 1986 if the deficit had not fallen according to his schedule; some members of Congress were saying higher taxes should be enacted now.
- Democrats pressed for a $5 billion to $10 billion program to create more jobs, whereas Republicans' earlier opposition to costly federal action to generate employment seemed to be wavering.
- Congressional willingness to deal boldly with the entitlement programs at the core of the spending and deficit problem was highly uncertain.

The picture that emerges is one of drift toward a classic Washington pattern once summarized this way: tax and tax, spend and spend, elect and elect.

Rep. Newt Gingrich (R-Ga.) complains, "We keep sending politicians to Washington who promptly get re-educated out of what they believed when they flew in."

Whether that applies to the President

is being debated in Washington. Many of his early supporters accuse him of abandoning his principles. His opponents say the economy is in bad shape because he stuck with those principles too long. But his defenders recall that the President said from the outset that it was a matter of giving his policies time to work.

What has happened to Reaganomics over the past two years, and what lessons does that experience offer for drafting a budget that will allow recovery to take hold?

PHOTO: JOHN NEUBAUER

Martin S. Feldstein, President Reagan's chief economic adviser, and Treasury Secretary Donald T. Regan confer during hearings on the 1984 budget.

PHOTO: RODDEY E. MIMS—UNIPHOTO

"A tough year to pass a budget" is the uncontested verdict of House Budget Chairman James R. Jones.

Reaganomics was supposed to work like this: Cuts in marginal tax rates would stimulate savings and investment. The increased savings would finance both the new investment and a larger federal budget deficit, without putting upward pressure on interest rates. Added revenues from a growing economy would help keep the deficit within reasonable bounds. And the Federal Reserve Board would reduce inflation by gradually lowering the growth rate of the money supply.

Actually, federal receipts, the rate of inflation and the level of the gross national product have all been running lower than anticipated in the Reagan administration's early forecasts. Federal outlays and the unemployment rate are higher.

THE LATEST administration projections show outlays reaching a peak at 25.2 percent of GNP for fiscal 1983, then declining to 23.9 percent in 1986. Receipts are expected to bottom at 18.7 percent in 1983, then rise to 20.3 percent in 1986.

For comparison, in the Carter administration's last full year—fiscal 1980—outlays were 22.4 percent and receipts 20.1 percent. President Carter estimated 1983 outlays at 22.6 percent and receipts at 22.4 percent.

Clearly, the Reagan administration has failed to cap federal outlays, although it does claim credit for slowing the growth rate. But it appears to have succeeded in reducing receipts even more than it originally hoped.

In fact, a revenue decline of the magnitude that is now anticipated is much greater than administration planners expected. In the latest administration estimates, fiscal 1983 receipts are nearly 16 percent lower than in the estimates made when President Reagan took office—even after allowing for the 1981 tax cuts.

The looming $208 billion deficit for fiscal 1983 can thus be interpreted as more a product of the recession than of the Reagan tax cuts. Recessions reduce revenues and boost outlays. Had the economy grown at the rate foreseen in the first Reagan projections, the deficit would be less than half its present size.

Further aggravating the deficit problem were interest rates higher than expected and inflation rates lower. The first dramatically raised the cost of financing the deficit; the second cut into revenues by reducing the gain from bracket creep in the federal tax system.

From the beginning, economists of all persuasions called the Reagan growth forecasts unrealistically high. However, many also warned that the administration's policies would produce raging inflation. Instead, the problem was interest rates, which peaked at 21.5 percent (the prime) in December, 1980—before Reagan took office—but remained stubbornly high for the next year and a half. Inflation came down even faster than anticipated in the administration's "excessively optimistic" forecasts.

The recession can be blamed on the high interest rates, which crippled the auto and housing industries. What caused the high rates?

One theory is that the Fed pushes up rates by refusing to buy Treasury bonds to finance federal deficits. If these deficits must be financed on the private market, they may use up a growing percentage of the nation's savings, leaving less available for nongovernment borrowing. That causes the price of loans—interest—to be bid up when demand is strong in the private sector.

Another theory holds that when lenders see inflation ahead, they demand a higher interest rate—especially on long-term loans—to compensate for the inflationary erosion of their principal.

As Federal Reserve Chairman Paul Volcker sees it, the Fed faces this dilemma: To reduce rates raised by expectations of inflation, the Fed must pursue the kind of tight money policy that can also raise rates. The two causes of high rates may coexist, depending on how long it takes for lenders to become convinced that the Fed will not re-ignite inflation.

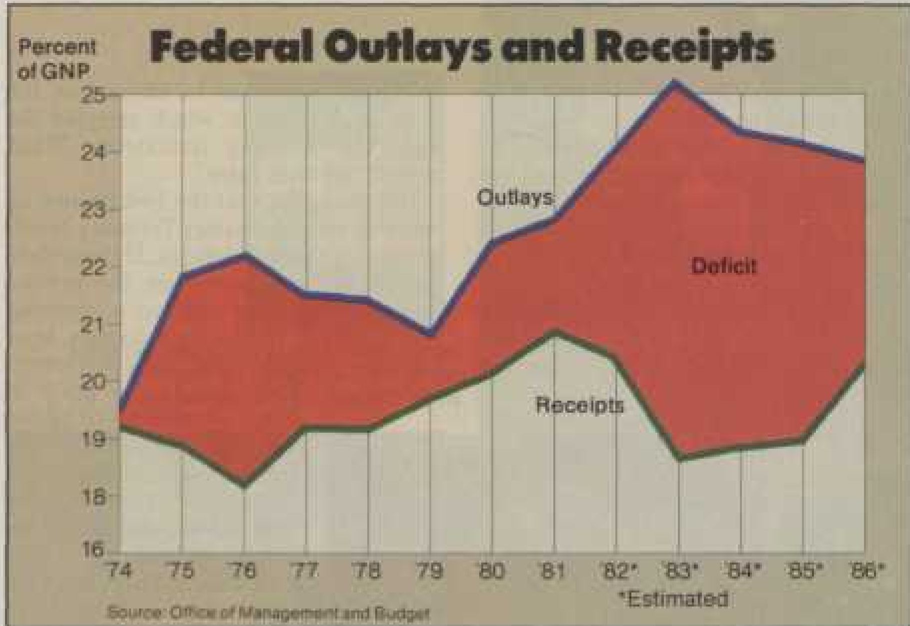
When lenders see enormous federal deficits down the road, they lose confidence in the central bank's ability to restrain the money supply. At some point, they reason, the pressure to help finance the deficit will become irresistible.

Thus, the persistence of high deficits when the economy recovers is likely to raise interest rates one way or another, no matter what the Fed does.

Deficits can be contained by cutting spending or raising revenues. Revenues can be raised through economic growth or higher taxes. The latter option becomes counterproductive at some point, but where that point lies is highly controversial. The Reagan supply-siders thought the economy could grow its way out of the deficits, but that didn't happen, and few economists now expect it to.

Did Reaganomics fail, or did the underlying supply-side philosophy never get a fair trial? Representative of those who say the trial was fair is Joseph A. Pechman, a Brookings Institution economist. "The basic thrust of supply-side theory is that if you reduce marginal tax rates, the economy will prosper," he says. "Well, it hasn't prospered."

One who was present at Reagano-



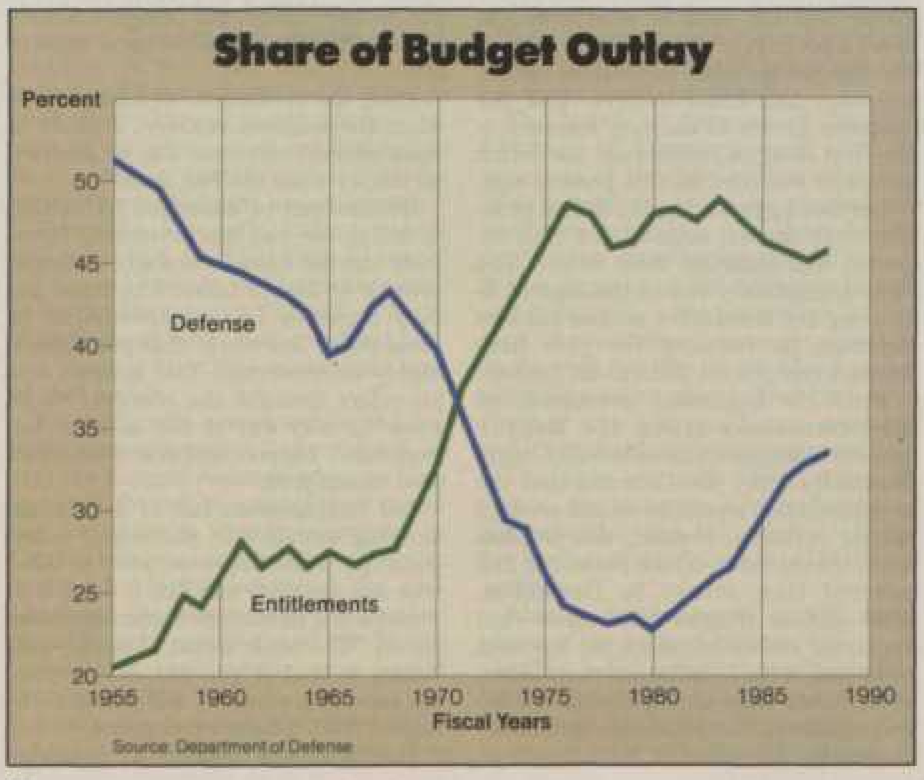
mics' inception disagrees. Norman B. Ture, now a Washington economic consultant, was the highest-ranking supply-sider in the Reagan administration—as Treasury under secretary for tax and economic affairs—until his resignation last year.

"I don't think it was ever really tried," he says. "We started to try it."

LIKE MOST supply-siders, Ture blames the nation's economic troubles on the way tax and monetary policies were implemented. "From the beginning of our tenure at the Treasury," he says, "I and several of my colleagues warned the Secretary over and over again that if the Federal Reserve Board did not pursue a much steadier, more moderate course of monetary expansion than we had seen in the prior two years, no matter how dramatic and effective the tax cuts might be otherwise, they would have no effect."

Another obstacle Ture cites is that the intended beneficiaries of the tax cuts could never feel secure about them, which reduced the incentive effects. "The President had not yet signed the Economic Recovery Tax Act of 1981 before the congressional leadership and people in the administration were talking about what had to be done to undo it," he points out.

Other supply-siders believe that stringing out the cuts was a mistake. Legislation introduced by Rep. Jack Kemp (R-N.Y.) called for a one-shot, 30 percent cut in personal tax rates. That cut was divided into three equal installments when Sen. William V. Roth, Jr., (R-Del.) agreed to introduce it in the Senate, creating the Kemp-Roth bill, which became the foundation of the Reagan tax plan.



THE THREE INSTALLMENTS were pared in the political horse-trading of 1981. Recalls Gingrich: "They started out with a 5 percent cut that was not effective until October. That was wiped out by the Social Security tax increase January 1. Then there was a 10 percent cut last summer, which the Internal Revenue Service managed to undercut by deliberately designing withholding tables that overwithhold.

"If you set out to make sure the tax cut wouldn't work very well, you probably couldn't have designed a much better plan."

Then the summer of 1982 produced the Tax Equity and Fiscal Responsibility Act, which took back 71 percent of the tax relief granted business in the Economic Recovery Tax Act of 1981.

The final 10 percent cut in personal rates, scheduled for this July, remains a political football. House Speaker Thomas P. O'Neill, Jr., (D-Mass.) and others in Congress say it should be sacrificed to provide money for jobs programs. The wisdom of that proposition escapes both liberal and conservative economists. Says Pechman: "Right now, tax increases would harm the economy."

While much of the debate on Capitol Hill centers on taxes, business continues to press for more spending cuts as the most economically effective way to deal with deficits.

The U.S. Chamber compares current estimates that spending will be at 24 percent of GNP in 1986 with early White House expectations it would be down to 19 percent by then.

Much of the spending growth has been due to the recession, the Chamber says, but "spending changes in the defense, Social Security and health programs necessary to reach the [original] targets have not been made."

The challenge is formidable: Develop a plan of fiscal and monetary restraint that will nurture the recovery while avoiding the pitfalls that kept the economy in deep recession over the past two years. If the challenge is not met, the country could once again find itself in the stranglehold of runaway inflation and interest rates and high unemployment, this time without the promise of relief offered by Reaganomics in its original form.

As House Budget Committee Chairman James Jones (D-Okla.) says, "It is going to be a tough year to pass a budget." □


AMERICA'S BEST SELLING VAN GOES OUT FRONT IN DIESEL POWER...
NEW FORD 6.9L DIESEL VAN!
26 more horsepower than Chevy diesel van. 30% better fuel economy than Ford's similar-size gas engine*!
America's best seller† has a powerful new option: diesel fuel economy in a true truck, heavy-duty 6.9L diesel. Ford Vans properly equipped tow up to 10,000 lb., carry up to 5015-lb. optional payload — more than Chevy can. And they offer diesel Super Van models Chevy can't match.
*Available in E-350. EPA ratings not applicable. Based on Ford tests simulating on-road driving conditions. Improvement over gas engines varies depending on use.
†Based on R. L. Polk & Co. calendar year registrations through October, 1982.
6.9L DIESEL ENGINE BACKED BY 36-MONTH/50,000-MILE LIMITED WARRANTY.
Whichever comes first. Subject to deductible after limited 12-month/12,000-mile vehicle warranty. Ask your dealer for full details.
Ford Parcel with 6.9L diesel has huge 3950-lb. payload, 14-ft. box vs. Chevy 12-ft.
FORD ECONOLINE
Ford
Get it together — Buckle up.
AMERICA'S TRUCK
BUILT FORD TOUGH

PHOTO: RHODA BAER

Louis Laborde, co-owner of Community Paint & Hardware, of Bethesda, Md., says a lower minimum wage for young people "would help the kids. It's difficult for small businesses to hire someone with no experience."

What Small Business Wants From Congress

Actions to curb federal deficits and spur private-sector hiring are high on the shopping list.

By Susan J. Duncan

SMALL BUSINESS PEOPLE are looking to Washington this year for action that will help hold interest rates down and bring demand for their products and services up.

They think the first objective can be reached by slashing federal deficits and the second by increasing employment—thereby putting more money in consumers' pockets.

High interest rates and weak sales combined to make 1982 the worst post-Depression year yet for small businesses. Annual business failures, as reported by Dun & Bradstreet, increased nearly 49 percent, following a 1981 increase of 45 percent.

Almost half of the failing businesses had liabilities of less than $100,000. Dun & Bradstreet covers only terminations with losses to creditors. One estimate is that, for each of D&B's 25,346 recorded failures in 1982, 6 to 10 other businesses simply paid their bills and closed their doors.

Today, interest rates are still high, but they have dropped to bearable levels for many smaller companies.

Unlike large corporations, which have access to long-term debt or equity markets, small firms rely primarily on banks for their financing. They typically obtain loans at rates several points above the prime. When the prime hovered in the high teens and above, many small businesses could not afford to borrow. Economists found a 74 percent correlation between the level of the prime rate and the number of business failures.

With current prime rates of 11 to 13 percent, "small business can begin to borrow again," says John Sloan, president of Nashville's First Tennessee Bank, whose principal customers are small business owners.

Says Margaret Hansson, who founded a baby-products company and is now a small business consultant and investor in Boulder, Colo.: "Since interest rates have let up, you're seeing smiles on those of us who need to finance inventories or receivables."

However, small companies with markets abroad continue to cite high interest rates as their No. 1 problem. Because interest rates are higher in the United States than in other countries, investors have been exchanging other currencies for dollars. This demand for the dollar has driven up its value relative to the other currencies. Consequently, the price of foreign goods sold in the United States has gone down and the price of American goods sold abroad has gone up.

Shaw Mudge, whose Stamford, Conn., company makes fragrances bought by multinational manufacturers of shampoos, deodorants and other consumer products, complains:

"The strong dollar is destroying us overseas. We've had to slash prices to hold our business. For the first time in its history, the cosmetics industry is feeling a depression—and interest

SUSAN J. DUNCAN *is a Washington-based free-lance writer.*

rates did it. They've got to come down to around 8 percent."

In the meantime, Mudge, who also chairs the Senate Small Business Committee's National Advisory Council, has dramatically altered his customer "mix"—from a few multinationals to dozens of smaller companies. "The multinationals have all turned into bankers," he snorts. "They can make more in money-market funds than they can launching new products."

Even those small firms with primarily domestic sales fear that interest rates may turn upward again as federal deficits intensify government competition in the credit markets.

Sixty-one percent of respondents to a survey by the U.S. Chamber of Commerce Small Business Center last spring identified federal deficits as one reason interest rates have not fallen as fast or as far as the inflation rate. Fifty-six percent also blamed Federal Reserve policy.

The Fed has since loosened its grip on the money supply—"Chicago banks have plenty of money to lend," says James Kackley, partner in charge of the small business division in the Chicago office of Arthur Andersen & Company, the accounting firm—but the deficit looms larger than ever.

"It's the big risk factor," explains John Sloan, the Nashville banker. "The deficit could definitely wreak havoc with interest rates."

Van Smith speaks for many small business owners when he insists that if the deficit pushes interest rates up again, "Congress will have been the cause."

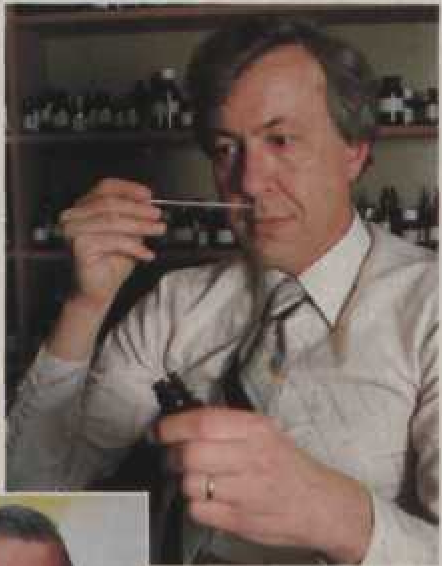
Smith, chairman and president of the Ontario Corporation in Muncie, Ind., and chairman of the U.S. Chamber's Council of Small Business, notes that "many small companies have taken desperate actions to hang on, cutting their margins to the bone. We want to see Congress do the same. We're frightfully disappointed by the lack of congressional courage to cut spending. Reagan wants to do it, but Congress is a quagmire of indecision."

But for now, with interest rates down at least for a while, depressed demand for their products and services is a bigger worry for most small businesses. In a survey of 1,000 business owners with 10 or fewer employes, conducted last August by Safeguard Business Systems, Inc., and the Institute for Constructive Capitalism, only 25 percent of respondents identified the cost or availability of money as their single most important business problem. That compared with 42 percent who mentioned either the economy in general or low demand in particular.

Kackley of Arthur Andersen & Company observes that sales slumps among some of his clients have them scrambling for new business and urging existing customers to increase their orders.

Helen Leslie, president of K&W Supply House, Inc., in St. Petersburg, Fla., sells heating and air-conditioning supplies to the homebuilding industry. She reports not only a significant sales decline last year but also bankruptcies among some of her customers.

PHOTOS: KEN HOFFMAN



Shaw Mudge (left), whose firm makes fragrances for big manufacturers, complains high interest rates have cut his foreign sales: "The strong dollar is destroying us. We've had to slash prices to hold our business."

Small and large companies alike agree that one way to stimulate demand is to get more consumers back to work—and small business generates the majority of American jobs. One study conducted at the Massachusetts Institute of Technology concluded that as many as 87 percent of all new jobs are created by small businesses, with 66 percent created by companies with fewer than 20 employes. Small companies tend to be far more labor-intensive than larger ones; according to one estimate, three fourths of the work force is employed by small business.

Many small business advocates support enactment of a temporary general jobs tax credit, similar to one that existed in 1977–78. During that period, any company that increased its employment by at least 2 percent from year to year received a maximum credit against its income tax of $2,100 for each new hire, up to an annual ceiling of $100,000.

There is wide support for a credit that would be available only to small business and would recognize that many small companies, particularly new ones, operate at a loss. An income tax credit benefits only companies with net incomes. Frank Swain, chief counsel for advocacy at the Small Business Administration, suggests that the credit could be applied against payroll taxes, so that any small enterprise, whether profitable or not, could benefit.

An alternative, contained in a bill introduced in the last Congress by Sen. Lowell Weicker (R-Conn.), chairman of the Small Business Committee, would provide refunds to nonprofitable companies, in lieu of credits. Weicker's bill, to be reintroduced this year, would also restrict credits to new hires who were previously unemployed, an idea reportedly favored by the Reagan administration.

Because it would reduce revenue, any kind of tax credit faces an uphill battle in Congress. "We don't want to reward hiring that would have occurred anyway," comments Robert Dotchin, staff director of the Senate Small Business Committee, echoing a common criticism of the 1977–78 credit.

That kind of thinking misses the point, according to Swain, and indicates that "Congress has not heard the small business story on this issue." The credit is not intended to create new positions; rather, it is designed to speed up reemployment. Joel Popkin, an economist who specializes in small business issues, explains: "If I can use half a worker now and a whole one by year-end when business has improved, then with a tax credit, I can afford to hire that worker today instead of waiting."

A jobs tax credit would complement the investment tax credit, Swain contends. The latter aids asset-intensive companies, primarily big business, whereas the former would aid the labor-intensive small business sector.

In addition, as Shaw Mudge points out, credits offset the costs of training younger employes and retraining displaced adult workers (those who come from collapsing industries). Mudge, who currently has 45 employes, hired nine people while the original credit was in effect.

Finally, most economists prefer tax credits to public-works programs or training subsidies, both of which are generally more expensive and require longer lead times. "The tax credit is the fastest, least intrusive mechanism to stimulate employment," says Swain. "And there's no downside. If it doesn't work—if nobody hires—it doesn't cost

a thing. The worst that could happen is that it could succeed!"

A second proposal to spur small-business employment is a subminimum wage for youngsters. The small business sector is the primary employer of the unskilled, high-unemployment groups—minorities, homemakers, the elderly and teen-agers. SBA reports that small business provides two thirds of all initial work experience.

Like the job tax credit, a youth differential is being considered by the Reagan administration. But even with presidential backing, a subminimum wage will likely encounter even stiffer congressional opposition than a jobs credit. Labor groups fear the differential would be used to "downgrade" existing adult positions. Small business disagrees, arguing that a subminimum wage would expand entry-level, unskilled employment.

Says Louis Laborde, co-owner of Community Paint & Hardware, of Bethesda, Md.: "I don't think a subminimum wage would help me out as much as it would help the kids. It's difficult for small businesses to hire someone with no experience." Laborde's small store employs 17 people.

"I'd use a youth wage," says Helen Leslie of K & W Supply House. "I've got some part-time maintenance jobs, like yard work, cleaning and sweeping, that just don't get done now because I can't afford to pay the minimum."

Unfortunately, before small business groups can concentrate on legislative proposals to boost employment, they must focus on proposals that would deter it. Heading this list is the bipartisan plan to raise payroll taxes to shore up the Social Security system.

"How can we have any confidence in a solution predicated on tax increases," asks Ivan Elmer, manager of the U.S. Chamber's Small Business Center, "when we look at the failure record of that solution? The maximum annual tax per employe has increased more than 600 percent since 1970 and we're further away from a solution than ever."

Most small business owners would like to see Social Security restored to its original concept as a supplement to other retirement income. They would also like to see the system become what accountants call "actuarially sound"—that is, an individual's benefits would be tied to his or her contributions, plus interest.

According to the Employee Benefit Research Institute, the average wage earner retiring today contributed about $12,000, which will be returned in benefits in about 16 months. This worker can expect to receive total benefits of about $125,000—representing a 1,000 percent "return on investment." With that rate of return, it is easy to see why the system is going broke.

"It may sound self-serving," says small business consultant Margaret Hansson, "but the best approach to reducing the deficit is to nurture those who create the jobs. So you've got to look very carefully at any tax increases that will affect small businesses."

SBA did exactly that two months ago in a report that it titled: "Social Security: a Tax on Labor." The report confirms that small businesses are less able than large businesses to shift payroll taxes to consumers (through higher prices) or to employes (through lower wages).

In addition, small firms pay more Social Security taxes per dollar of wages. At present, only the first $35,700 of an employe's wages is taxed—at a combined (employer/employe) rate of 13.4 percent. Most small business employes earn less than this amount. Because larger firms pay 34 percent higher wages on average, their effective tax rate is lower. For example, the effective tax rate for an employe earning $50,000 is only a combined 9.6 percent.

All these factors add up to a heavier burden for small business whenever payroll taxes are raised. Adopting this particular Social Security reform "will make an already difficult economic climate that much more hostile to job-creating small firms," the SBA report concludes.

DESPITE ALL the uncertainties of today's economic climate, the small business sector is basically optimistic about its future (see the article on the Heller/ Roper Small Business Barometer, page 30).

Indeed, some say entrepreneurs thrive on uncertainty. Van Smith agrees with many economists who see American industry undergoing a radical transformation, from an industrial age to an information age.

"The entrepreneur can leverage his or her ideas much more readily now than in a period of business stability," says Smith. "The opportunity and environment for innovation have never been better."

Even in declining industries, the entrepreneur can still carve out successful sales niches. For instance, "even though most auto dealers and suppliers did not fare well last year," says Arthur Andersen's Kackley, "I've got one client who is doing very nicely manufacturing plastics for auto exteriors. This is a relatively new market where demand is strong."

And Rowena Wyant, vice president of Dun & Bradstreet's business economics division in New York, notes an intriguing countertrend to the rash of business failures: Many of today's small business start-ups represent the brainstorms of people who were unable to find jobs. □

Take the NCR FirstStep toward a total WorkSaver solution in your office.

As the newest member of the extensive NCR WorkSaver line of information processing systems, FirstStep has all the capabilities to make your organization as productive as possible. It can effectively meet the office automation needs of users in all areas of your business.

For example, it can be a cost-effective "first step" into word processing. It is priced to serve as a replacement system for memory-based typewriters. FirstStep can also be available to you for personal computing.

FirstStep is designed to function in an environment with other WorkSaver products also. While more extensive projects can be done on WorkSaver, FirstStep is an invaluable tool for typists, managers, and professionals.

Perhaps best of all, FirstStep's communications capabilities allow it to transfer files to other WorkSaver models, to access public data bases, or to access a mainframe.

The FirstStep can also perform as a management workstation. It features MULTIPLAN™*, the financial spreadsheet for everything from simple addition to complex modeling situations. With the CP/M 2.2™** operating system, numerous pre-packaged software programs can be run on FirstStep.

FirstStep is another example of how NCR provides business with what it needs for the speedy processing of information. And NCR has a network of field engineers to support FirstStep.

To receive a free brochure on how FirstStep and other WorkSaver systems can provide the total solution to your organization's information processing needs, call toll free, 1-800-543-8130 (in Ohio, 1-800-762-6517).

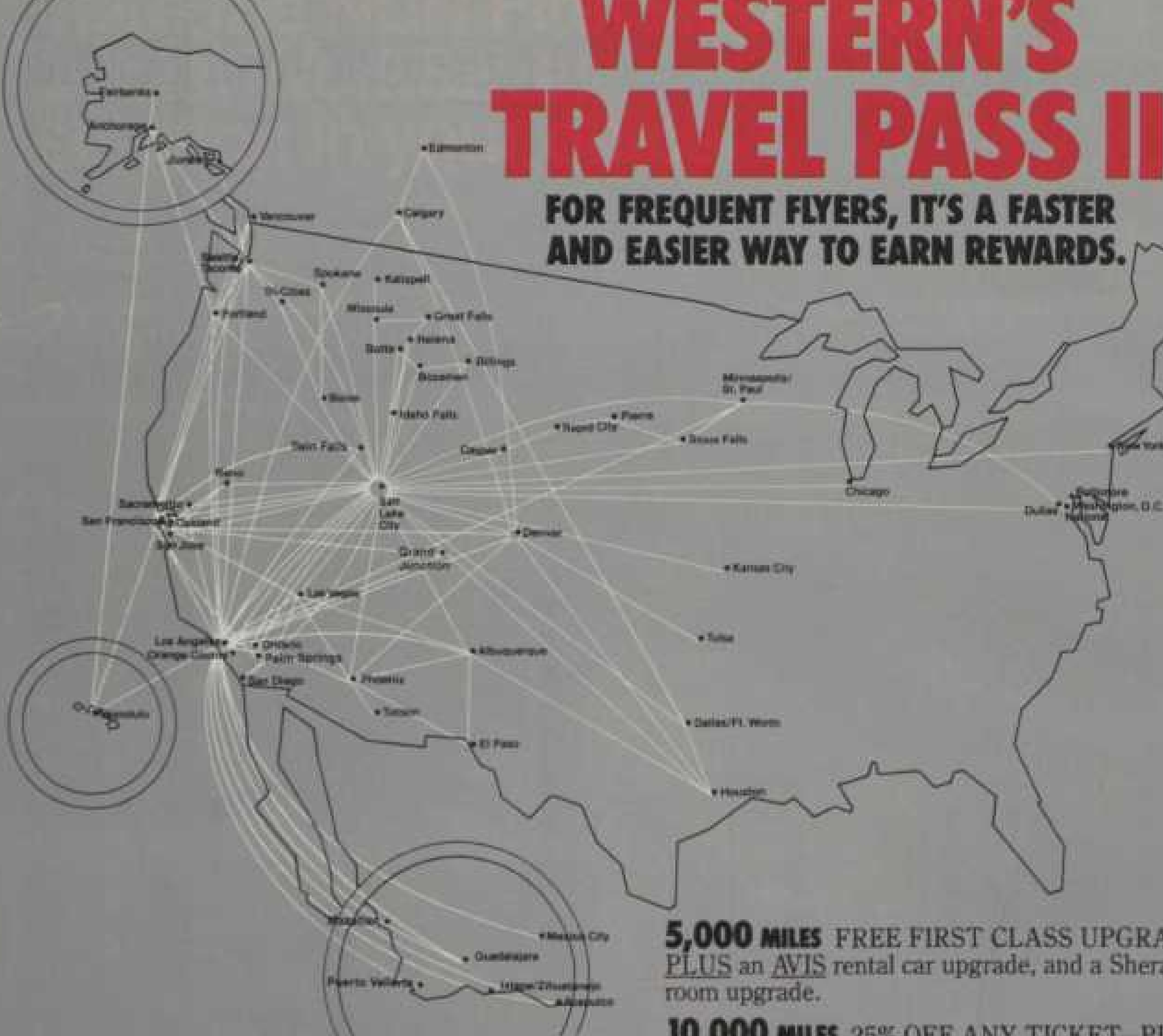
NCR
Office Systems Division

*MULTIPLAN™ is a trademark of Microsoft, Inc.
**CP/M 2.2™ is a trademark of Digital Research

DC/MD/B 6

WESTERN'S TRAVEL PASS II

FOR FREQUENT FLYERS, IT'S A FASTER AND EASIER WAY TO EARN REWARDS.



Now, Western Airlines is setting a new standard for frequent flyer programs. With our fast, simple Travel Pass II.

ALL YOU HAVE TO DO IS FLY. With Travel Pass II, we do the work—you do the flying. We keep a complete record of your travel mileage. And to keep you posted on your progress, we periodically mail you mileage update statements. That way, you're sure to know when you've reached a reward level.

EARN REWARDS FAST. Fly just 5,000 miles with Travel Pass II, and you can upgrade any fare to First Class. After 30,000 miles, you can earn a free trip. That's almost twice as fast as with United's or American's frequent flyer programs.

With us, you can earn special discounts on AVIS rent-a-cars and at Sheraton Hotels. And if you sign up now, we'll give you a special bonus—1,000 free miles.

To become a Travel Pass II member, just pick up our membership invitation at any Western Airlines Airport Ticket Office, City Ticket Office, or Horizon Club. Or write to: Western Airlines, Travel Pass II, P.O. Box 92005, Los Angeles, California 90009. We'll rush you an application.

5,000 MILES FREE FIRST CLASS UPGRADE—PLUS an AVIS rental car upgrade, and a Sheraton Hotel room upgrade.

10,000 MILES 25% OFF ANY TICKET—PLUS $10.00 off an AVIS weekend car rental, and a 15% discount at a Sheraton Hotel.

20,000 MILES 50% OFF ANY TICKET—PLUS $15.00 off an AVIS weekend car rental, and a 20% discount at a Sheraton Hotel.

30,000 MILES FREE TRIP TO MEXICO OR HAWAII—PLUS $20.00 off an AVIS weekend car rental, and a 25% discount at a Sheraton Hotel.

40,000 MILES FREE TRIP TO ANYWHERE WE FLY—PLUS a free AVIS car rental for a weekend, and a 30% discount at a Sheraton Hotel.

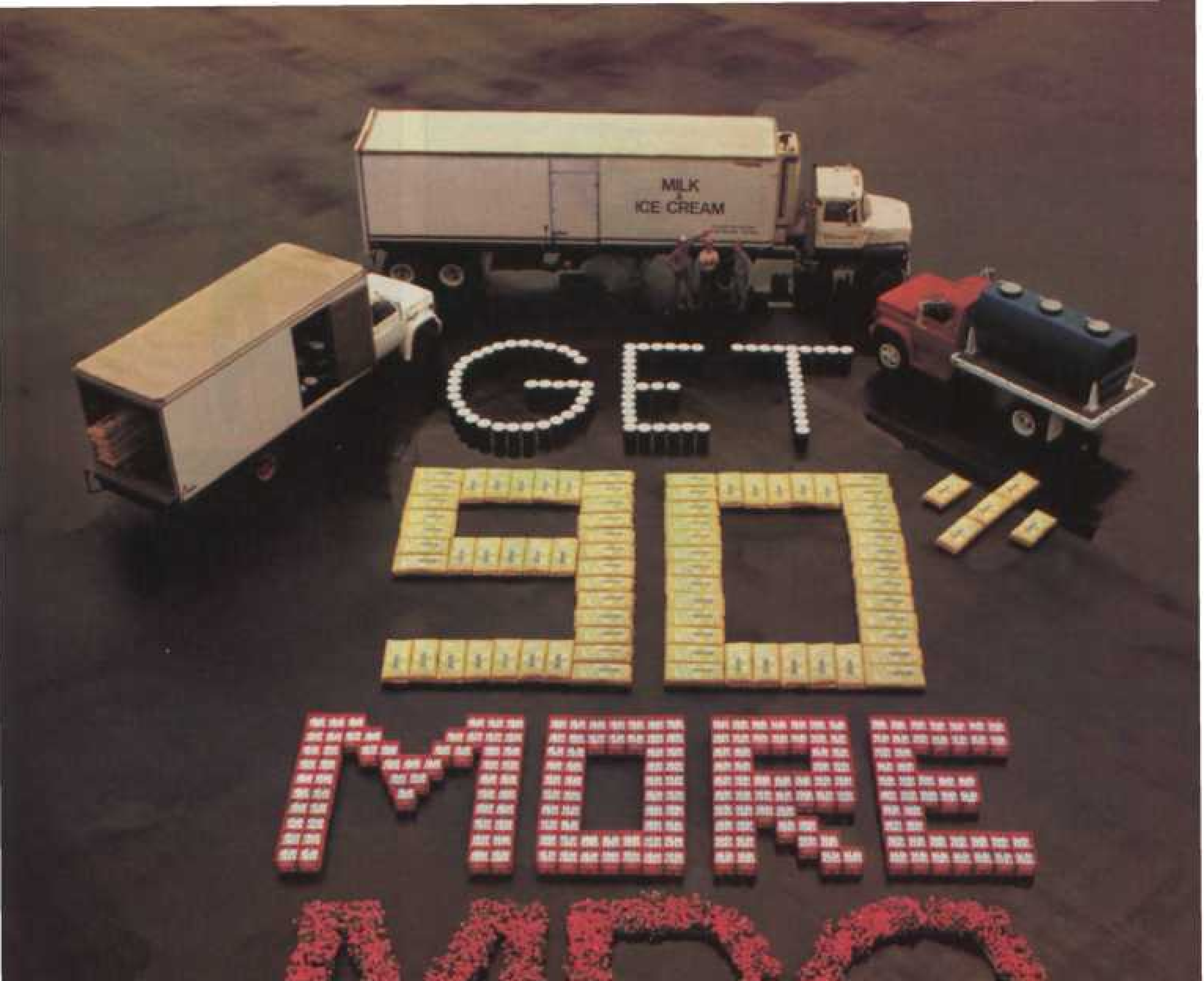
50,000 MILES FIRST CLASS TRIP TO ANYWHERE WE FLY—PLUS a free AVIS car rental for a weekend, a car upgrade, and a 35% discount at a Sheraton Hotel.

150,000 MILES THE ULTIMATE VACATION FOR FOUR TO ANYWHERE WE FLY—PLUS a free AVIS car rental for 5 days,* and 3 free nights at participating Sheraton Hotels. (Guest pays for first 2 nights, then receives 3 nights free.)

*Car availability may be limited to selected destinations. Free and reduced travel must be on Western only.

Western Airlines

We've got a name to live up to.



Fuel Pincher equipped trucks are getting 90% to 98% more MPG in delivery type applications than the same trucks with gasoline power.

That's almost twice the mileage! We proved it in recent tests. And users are proving it every day, on the job.

The Fuel Pincher is a new engine designed as a diesel from the ground up for medium-duty trucks up to 50,000 lbs. GVW. Rated at 130, 165, or 205 horsepower, it performs much like a gasoline engine. Starts easy, even in cold weather. Has plenty of torque for climbing hills. And eliminates the gas engine's carburetor and ignition system problems.

So tell your dealer you want the affordable, efficient, and tough Fuel Pincher Diesel in your next medium-duty truck. Or call us for more information: **1-800-521-0121** (in Michigan, **1-800-572-2424**).

The Fuel Pincher Diesel

Available in Chevrolet, Ford and GMC medium-duty trucks.

ILLUSTRATIONS: STUART ARMSTRONG

It's Turnabout Time

This is a report on the latest Heller/Roper Small Business Barometer, a survey of chief executive officers at more than 1,000 firms that have between 40 and 500 employes.

The survey, designed primarily to show hopes and concerns for the first four months of 1983, was conducted in January by the Roper Organization under sponsorship of the Walter E. Heller International Corporation's Small Business Institute.

Such surveys have been conducted at four-month intervals since January, 1980.

THE GLOOM that has long enveloped chief executive officers of small firms has given way to optimism.

After a decline in expectations for their companies that began at the end of 1981 and bottomed out at the end of 1982, they now see rising trends in sales, profits and hiring. And concern that their companies' inventories are too high is at a two-year low, although there are no signs of an increase in borrowing that might herald more purchases of supplies.

This optimism, revealed in a Heller/Roper survey that, in keeping with past practice, covered all of the United States except Alaska and Hawaii, appears in region after region and among businesses of all types.

Optimism is finally in again as CEOs forecast increases in sales, profits and hiring.

Executives taking part in the survey also are optimistic about the long-term effects of Reaganomics. More than two thirds of them endorse the view that the country should stay the course on Ronald Reagan's economic programs.

However, there is strong sentiment for a slowdown in the rise of military spending. By slim majorities, the CEOs also say that reduction of spending on domestic programs has not gone far enough and that tax cutting has.

Sales

Small business CEOs express a new exuberance about their prospects for increased sales. Asked how they expect sales in the first four months of 1983 to stack up against sales in the same period last year, 48 percent expect higher sales. Only 24 percent say sales will be lower.

These expectations are similar to what they were in January, 1981, just before Ronald Reagan's inauguration. Then, 47 percent looked forward to comparative sales increases and 21 percent to decreases. Two subsequent surveys showed higher optimism about sales before a decline in expectations set in.

The growth of optimism is particularly strong in the West, where the percentage of CEOs projecting higher sales is now 53, compared with 35 last September.

In the Midwest, anticipation of higher sales is up 7 percentage points—from 40 percent in September to 47 in the latest survey. There has been a 5-point rise in the East, from 43 percent to 48. In the South, however, the belief that sales will increase is up only 2 points, to 42 percent.

Confidence about sales has grown 14 points among manufacturers since September and 5 points among wholesalers and retailers. Service companies, which were probably least hurt by the recession initially, reflect an anticipated rise of 2 points.

Though previous Heller/Roper surveys asked separate questions about

expectations on unit sales and dollar sales, the latest Small Business Barometer covers only dollar sales.

Profits

CEOs are looking forward to an improved profit picture. Asked to forecast four-month profits compared with the same period last year, 39 percent say they will be higher and 30 percent lower. This contrasts sharply with the results of last September's survey, when 42 percent were anticipating that profits would be lower and only 29 percent that they would be higher. In January, 1982, 30 percent said the first third of the year would be marked by higher profits than in 1981, and 34 percent said profits would be lower.

Projections for increased four-month profits are appreciably higher than they were a year earlier in every region of the 48 contiguous states. In the West optimism has risen 12 percentage points. In the Midwest it is up 11 points, in the East 9 and in the South 4.

Optimism has increased 13 points among manufacturers, 9 among retailers, 7 among wholesalers and 6 among service companies.

Asked about profits as a percentage of sales, 32 percent of CEOs say they expect them to be higher for the first four months of 1983 than for the same period last year, whereas 29 percent anticipate they will be lower. This represents a modest improvement since the survey a year earlier, when 28 percent were optimistic about profits as a percentage of sales and 34 percent pessimistic. However, it is a sharp improvement since last September, when only 24 percent were anticipating an increase and 40 percent predicted a decrease.

In both May and September, 1981, 30 percent forecast higher profits as a percentage of sales. In May, 1982, the percentage was 26. Lower profit percentages were forecast by 31 percent in May, 1981, 32 percent in September, 1981, and 36 percent last May.

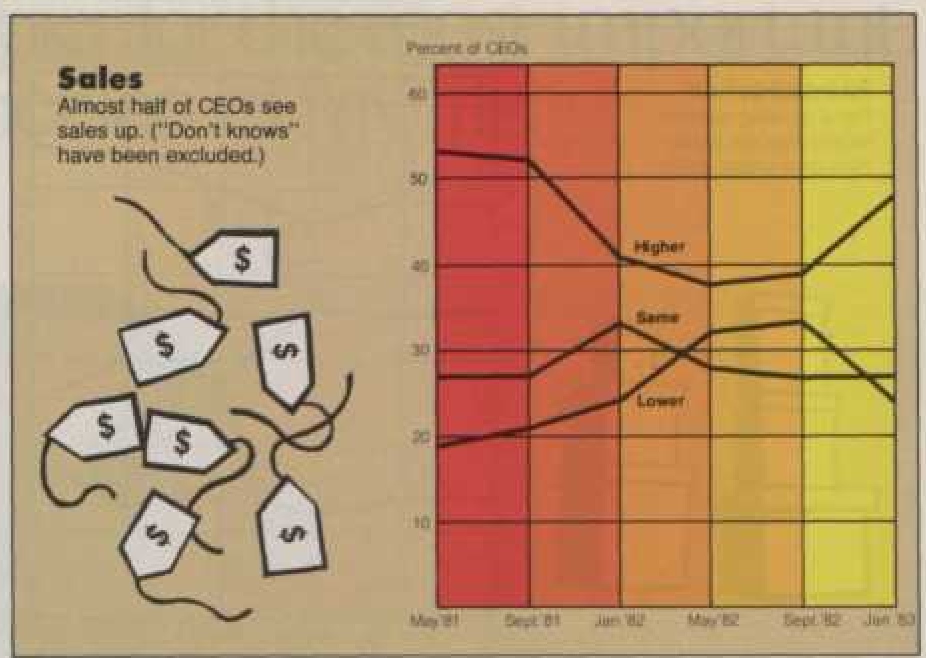
The upturn in confidence about profits as a percentage of sales is most marked in the West and Midwest, where it has risen 7 points compared with a year earlier. In the East there has been a 3-point increase. There has been virtually no change in the South.

There has been an 8-point rise among wholesalers and a 7-point rise among manufacturers. Retailers and service firms report no change.

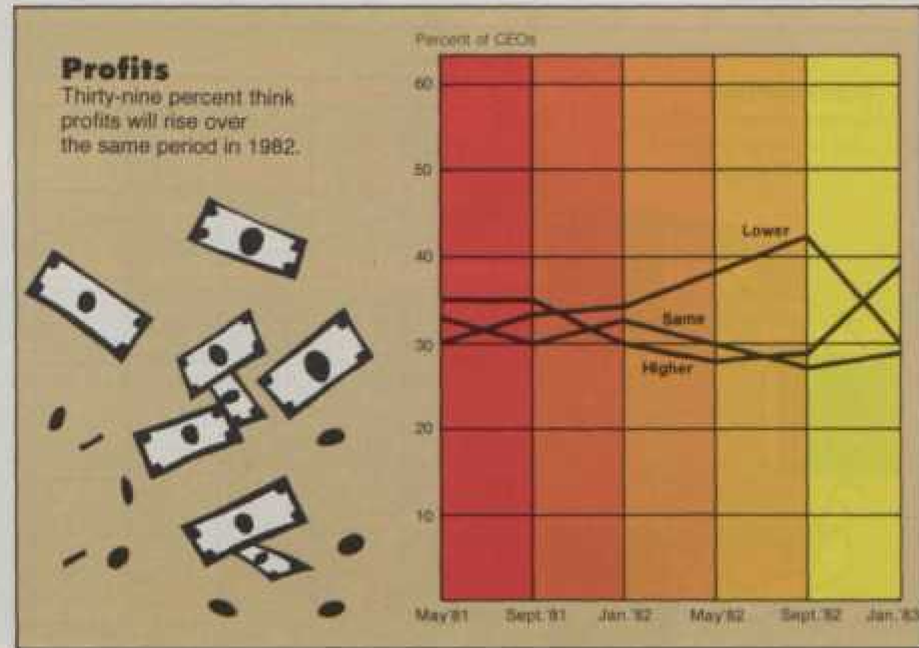
Employment

After a year of decline, prospects for employment have improved. Twenty-nine percent of CEOs now say that they plan to add to their payrolls, up 7 points from the 22 percent last September. In January, 1982, the percentage was 25.

Only 13 percent say they intend to reduce their payrolls, a percentage that

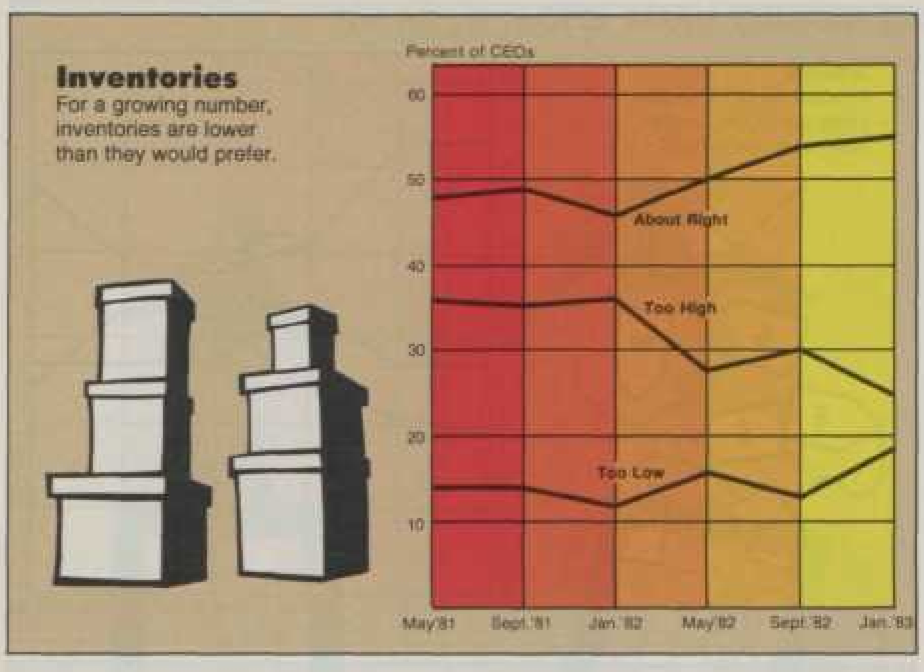


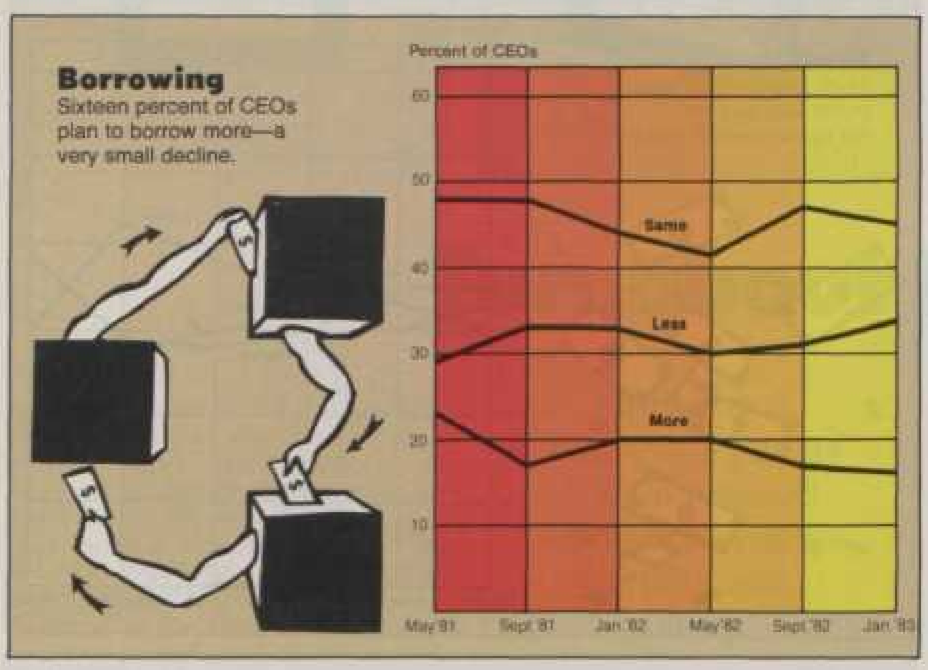
Sales
Almost half of CEOs see sales up. ("Don't knows" have been excluded.)



Profits
Thirty-nine percent think profits will rise over the same period in 1982.

Employment
Most CEOs do not plan to increase or reduce the size of their payrolls.





ties the low in the nine previous Heller/Roper Small Business Barometers, registered in May, 1981. Once again, as in all previous surveys, a majority of CEOs express the intention to neither increase nor decrease payrolls.

Inventories

Twenty-five percent of CEOs responding to the latest survey express the belief that their firms' inventories are too high, whereas 19 percent say their inventories are lower than they would like them to be.

This compares with the 36 percent who felt that inventories were too high and the 12 percent who said they were too low a year earlier. In last September's Heller/Roper Small Business Barometer, 30 percent said their firms' inventories were too high and 13 percent said they were too low. Fifty-five percent of CEOs now say inventories are at about the right level, compared with 54 percent last September and 46 percent in January, 1982.

The 19 percent who say inventories are too low represent the largest proportion of CEOs in any of the 10 Heller/Roper Small Business Barometers to express this view. This suggests that an increasing number of small businesses will replenish inventories—or at least meet more of their needs out of new production or orders, rather than out of accumulated stock.

As in the past, wholesalers are the most likely to say that inventories are higher than liked—34 percent. But this percentage is appreciably lower than a year earlier—46 percent—and the 41 percent of last September. Among manufacturers, 25 percent now say inventories are too high, compared with 33 percent a year ago and 27 percent last fall. Retailers are least likely—20 percent—to say their firms' inventories are too high. This represents a sharp decline from the 39 percent of a year earlier and the 30 percent of last September.

Borrowing

In contrast to the sizable shifts in sales and profits expectations, there has been only minor fluctuation in borrowing plans. Projected four-month borrowing levels are down somewhat compared with what they were a year earlier but are close to the forecasts registered last September.

The latest survey shows 16 percent planning increased borrowing compared with 20 percent a year earlier and 17 percent last September. Conversely, the percentage planning less borrowing is 34, compared with 33 in January, 1982, and 31 in September.

Regionally, the borrowing pattern is uneven. Projections of increased borrowing are currently highest in the West—21 percent, identical with a year earlier there. In the East, 17 percent anticipate a hike in borrowing levels, a marginally significant increase from 13 percent in January, 1982. In the Midwest, 13 percent forecast increased borrowing, 11 points less than a year earlier. Southern CEOs are least likely to foresee a higher level of borrowing—12 percent now do, down 9 points.

Receivables

The median waiting period for collecting receivables is now 38.2 days, compared with 38.8 days in September, 38.6 in May and 39.3 in January, 1982.

Reaganomics

Small business CEOs favor continued budget restraint, a halt to the pace at which military spending has risen and further cuts in domestic programs.

By a ratio of 44 percent to 9 percent, they believe that the increase in military spending has gone too far. Forty-one percent think military spending has been increased just about enough.

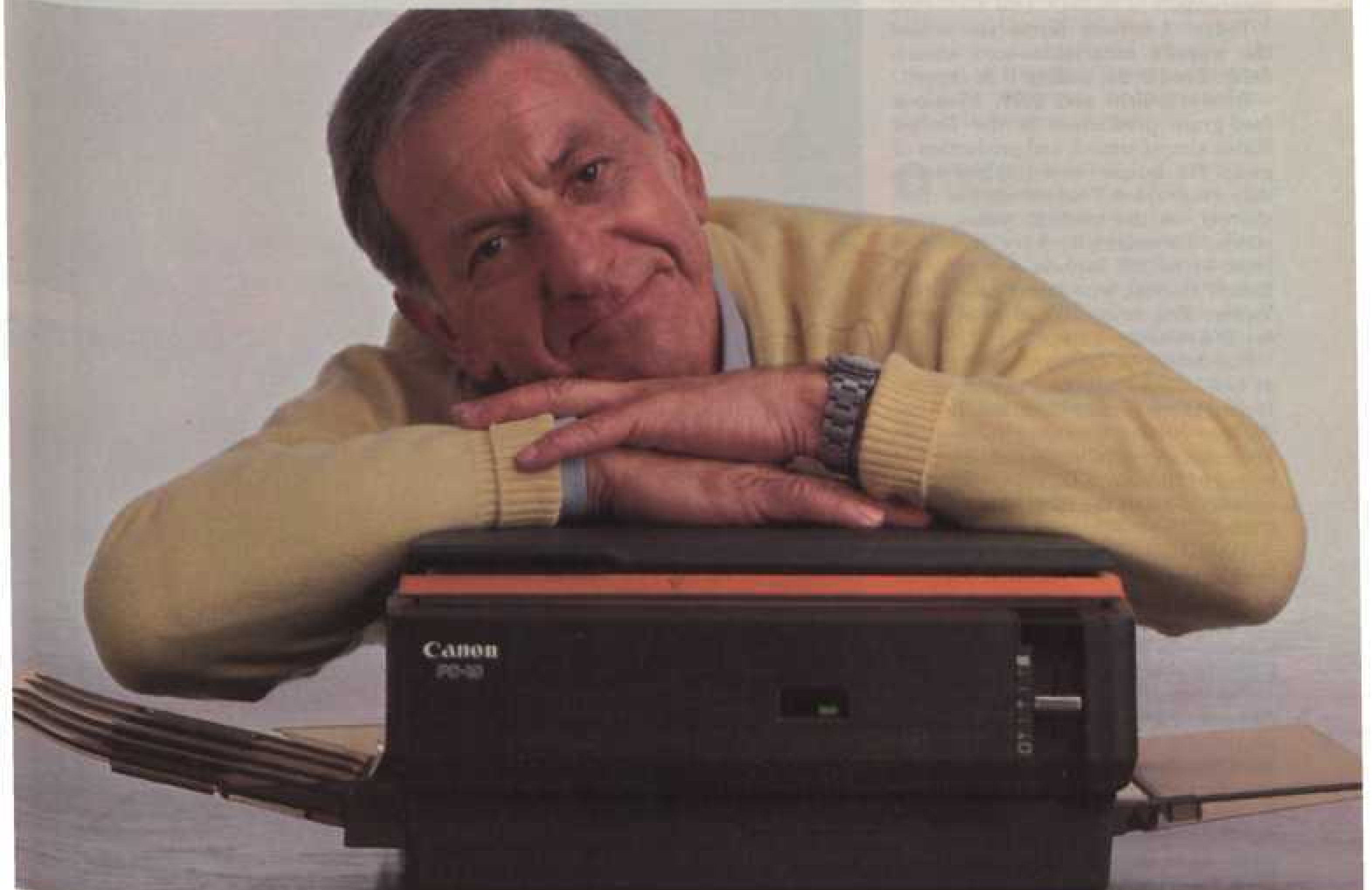
Fifty-one percent say spending on domestic programs has not been cut enough, whereas 32 percent say the reductions have been just about enough.

As for tax cuts, the majority view—51 percent—is that they have gone far enough. The cuts have not been deep enough for 24 percent and too generous for 20 percent.

By a wide margin, CEOs say the country should stick with the Reagan economic program. Sixty-six percent endorse this view; 29 percent say the economic program should be substantially revised. Support for staying the course is highest in the South—73 percent. It is 67 percent in the Midwest, 65 percent in the West and 56 percent in the East. □

Finally, a copier for the most important person in my life.

Me.



To you, I'm Jack Klugman the Actor.

To my agent, business manager, and accountant, I'm Jack Klugman the Corporation.

They have copiers. Why shouldn't I?

Now I can. A Canon Personal Cartridge copier. And it's so small, it's perfect for people in almost any business. Even if their business is at home.

It's like no other copier ever. Because Canon put the entire copying process—the toner, the drum and the developer—in one neat cartridge. Each cartridge is good for about 2,000 beautiful copies. On just about any kind of paper. Even labels and transparencies.

And once the cartridge is used up, you just replace it. It's so simple to care for, anyone could maintain it.

Here's something else it does. It copies in black, brown, or blue. Just by changing a cartridge. Nobody else's copier does that. Not even the big ones. And nobody else's plain paper copier costs so little.

So shouldn't there be a Canon Personal Cartridge copier for the most important person in your life? You.

Canon PC-10
It's the shortest distance between you and a quick copy. Compact. Convenient. Personal.
(Available March, 1983.)
$995*

Canon PC-20
Efficient for any business. With the added convenience of automatic paper feeding to make 8 copies a minute.
$1,295*

Canon PC Cartridges
Available with black, brown, or blue toner.
$65 in black
$70 in brown or blue

**suggested retail price exclusive of cartridge.*

Canon PC-10/20

Personal Cartridge Copying,
Plain and Simple.™

For more information about Canon Personal Cartridge copiers call toll free ... Ext. 499 (in New Jersey ... Ext. 499). Or mail to: Canon U.S.A., Inc., P.O. Box 5023, Clifton, NJ 07015

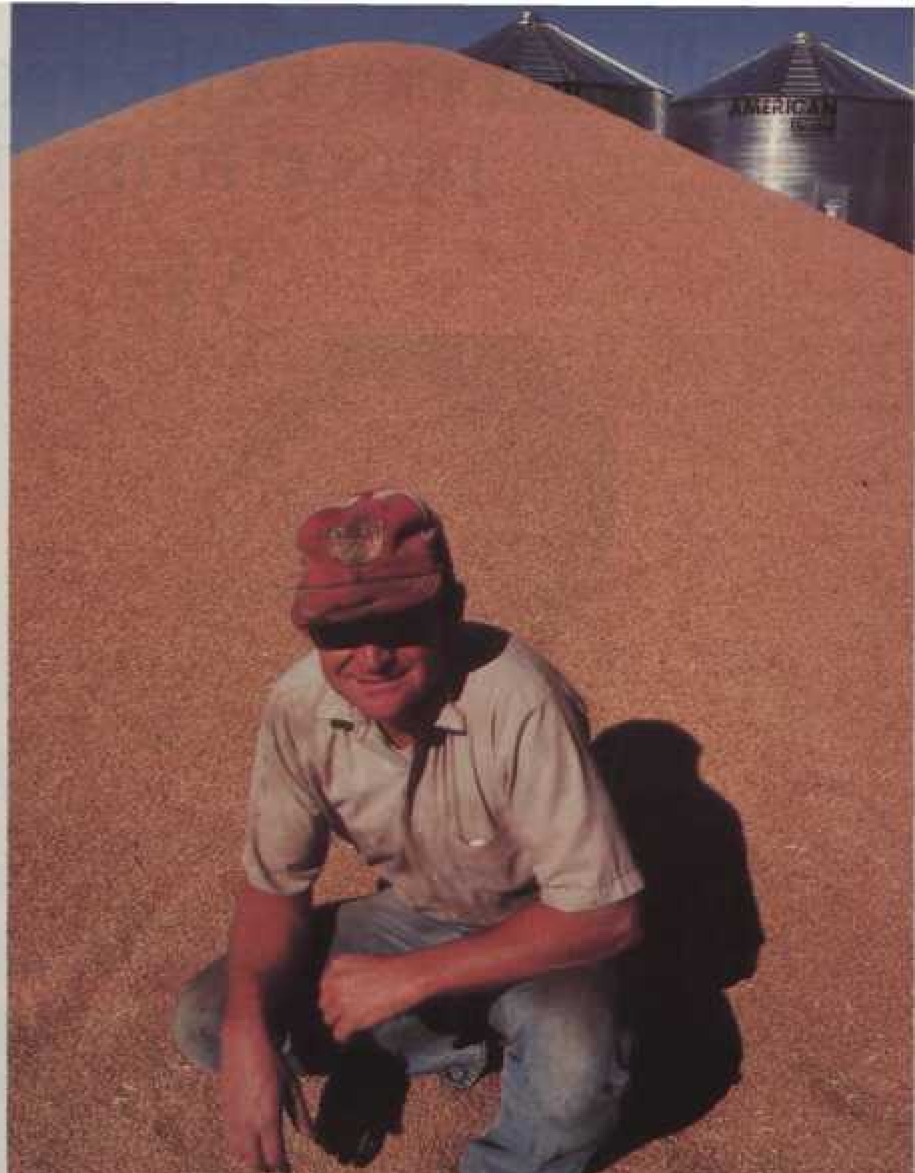


PHOTO: J.P. LAFFONT—SYGMA

The Golden Glut

Although food is America's No. 1 export, grain surpluses are piling up. The Payment-in-Kind program may help.

By Carol McCabe

NEBRASKA-BRED Willa Cather forecast in her 1918 prairie novel, *My Antonia*, that the farms of the American plains would "enlarge and multiply until they would be . . . the world's cornfields."

Today, American farms are indeed the world's cornfields—and wheatfields. Food is the leading U.S. export.

Between 1910 and 1979, livestock feed-grain production in the United States almost tripled, and production of grain for human consumption more than quadrupled. Productivity has risen sharply; in the past 20 years, corn yields, for example, have increased from 54 to 109 bushels per acre. As Robert Herron, who farms near Grain Valley, Mo., says, "We're good farmers. We raise good crops."

But American farmers, looking back at two bumper harvests in a row, are feeling more anxiety than satisfaction. Wallace Brown, who once farmed but now runs a general store and serves as mayor of Oldham, S.D., says, "We're all concerned about the farm situation. It's a mess."

American agriculture's economic health was fine as recently as 1979, when net farm income stood at a record \$27 billion. Then farm income went into a slump—to \$24.4 billion in 1980, \$19.6 billion in 1981 and \$19 billion last year.

The value of the average farm dropped in 1982 for the first time in 18 years—and in many cases, those farms were heavily mortgaged. As prices paid to farmers for their crops have dropped, production costs—for seed, fertilizer, chemicals, fuel and other supplies—have been rising. Farmers have been borrowing more; total farm debt has risen from \$117.7 billion in 1979 to \$164 billion in 1982.

High interest rates, dropping farm values and low prices for crops have pinched farmers. The Farmers Home Administration, a federal agency that is a major farm lender, reported in January that 25 percent of all the loans it made in 1982 were delinquent. (It should be noted, though, that FmHA is a lender of last resort—farmers borrow from it when they cannot get loans from conventional sources. FmHA makes about 12 percent of all farm operating loans.)

As farmers suffer, so do their suppliers. Farm equipment makers report that sales of combines dropped 43 percent last year and tractor sales were down about 25 percent.

CAROL MCCABE *is a Washington correspondent for the Providence, R.I.,* Journal *and* Bulletin. *She is writing a book about American agriculture.*

In small towns, hard times on the farm are felt by businesses like the Grundy Style Shop, of Grundy Center, Iowa, whose manager, Betty Hesse, says, "We made very little profit last year. Women who used to buy a whole outfit are shopping now for just a blouse or a pair of slacks to make a wardrobe look newer."

A major cause of the farmers' plight is an unexpected slackening of demand for exports. The United States is now storing more grain than it will send overseas this year. Next fall, according to Agriculture Department forecasts, global grain stocks will likely reach a record 260 million tons, nearly double the level of two years ago. That is the equivalent of a two-month supply of grain for the world. Nearly 60 percent

PHOTO: A. DIAKOPOULOS

PHOTO: BOBBIE WOLF—BLACK STAR

PHOTO: DAVID SMART—PICTURE GROUP

In recent years America's highly mechanized farms have been productive as never before, loosing a flood of grain that has fed millions at home and abroad. But farmers are now caught in a squeeze between rising costs and falling prices, and Agriculture Secretary John Block (top right) must struggle with huge surpluses and billions of dollars in support payments.

of those grain stocks are held by the United States.

Such a surplus was not anticipated as recently as 1981, when former Under Secretary of Agriculture John A. Schnittker predicted, "The world will face a critical shortage of grain in the 1980s." He was not alone in his forecast; conventional wisdom then was that scarcity, not surplus, would be the food issue of the decade.

BUT AT THE END of 1982, Agriculture Secretary John R. Block asked Congress to pass legislation to clear the path for a far-reaching program called Payment-in-Kind. The idea behind PIK is to give farmers surplus corn, wheat, sorghum, rice and cotton that they can use or sell in return for their contracting not to plant a portion of their usual acreage.

Similar programs were used to reduce government-held cotton surpluses under the Agricultural Adjustment Act of 1933 and again to reduce a feed-grain surplus in the 1960s.

Through PIK, the Reagan administration hopes to reduce stockpiles and cut the cost of government farm programs. The federal government spent a record $11.9 billion on farm programs in the fiscal year that ended last September 30. The cost is expected to exceed $15 billion in the current fiscal year—a figure three times as large as what was estimated when the budget for fiscal 1983 was prepared.

A longer-range goal of PIK is to raise farm prices by limiting supply, although Block concedes that prices are unlikely to rise this year even with the adoption of PIK.

How did the farm crisis develop?

"It's not our fault," says Herron, the Missouri farmer. "They [the federal government] lost the export business. Five or six years ago, they wanted us to produce everything we could for export. Now they want us to stop."

During the 1970s, the volume of American agricultural exports increased an average 10 percent annually. As the '80s began, the harvest of one acre in three went abroad.

ONE OF THE BIGGEST U.S. grain customers during the 1970s was the Soviet Union, whose own food production has never been adequate. In fiscal 1979, the U.S.S.R. was the third largest customer for American food, with purchases totaling $2.1 billion. But in January, 1980, President Carter imposed a partial embargo on grain sales to the Soviet Union. Food exports to the U.S.S.R. dropped to $1.4 billion in fiscal 1980, and the Russians fell to eighth place among customers for U.S. food exports.

(Japan has been American agriculture's biggest overseas customer, particularly for grain, for a number of years. However, American exports of beef and oranges are under restrictive quotas and duties that have been sharply disputed by the United States.)

By the time President Reagan lifted the embargo in April, 1981, Block told the House Agriculture Committee, the Russians had overcome it by buying from other suppliers. The U.S. share of Soviet grain imports fell from 70 percent to less than 20 percent and is now back to only about 30 percent, he said. Meanwhile, Canada's share of the Russian market doubled, Australia's tripled and Argentina's quadrupled.

At the same time, economic difficulties were growing worldwide, and the U.S. dollar was getting stronger. As a result, some regular customers for U.S. food, like Mexico, started buying less. World consumption of feed grains and wheat has stopped rising, even as world production has risen to record levels.

To these factors must be added the impact of protective walls that the European Economic Community has built around its domestic markets, the Secretary said, and the subsidies that have "allowed the EEC to compete unfairly in other markets."

Block, who testified that PIK could cut federal costs by as much as $5 billion through fiscal 1985 if farmers took part as expected, asked Congress to eliminate several kinks in the law that would hamper the program's effectiveness.

For example, Block asked that the target prices for wheat, feed grains,

rice and cotton be frozen, to discourage overproduction, instead of increasing every year as they do under current law. (The greater the spread between the target price and the market price, the higher the support payment.)

When the lame-duck session failed to act on Block's requests, he said he would not wait until the new Congress could take up PIK but would push ahead without legislation because delay would be devastating. Farmers were asked to sign up between January 24 and March 11.

Block predicts that 23 million additional acres may be removed from production this year through PIK, under which farmers will receive 80 percent of the grain they would normally produce on their corn and feed-grain acreage and 95 percent of their usual wheat crop.

The higher rate for wheat is to compensate producers of the fall-seeded crop for money they have already spent to plant the wheat now in the ground. Some wheat is planted in the spring, but the Agriculture Department says, "It would be impractical to have different percentages for fall- and spring-

Minuses Of The Dairy Surplus

That gleaming surface is whey—the liquid that separates from milk in the manufacture of cottage cheese.

The government buys gobs of butter —and other manufactured dairy products—to prop up prices.

PHOTOS: GARRY D. McMICHAEL—PICTURE GROUP

When a visitor to Agriculture Secretary John Block's office praised a pastoral painting of cows that hangs across from his desk, Block winced. "We've got too many cows," he said.

If America's cows just stood around posing, there would be no problem, but they are awesomely productive, yielding a flow of dairy products that stays about 10 percent ahead of domestic demand. At the beginning of this year, the Agriculture Department's Commodity Credit Corporation had 1.2 billion pounds of dry milk, 867 million pounds of cheese and 370 million pounds of butter in storage.

Under the present price support system, the government supports the price of milk for manufacturing use—milk used in dry milk, cheese and butter—at $13.10 per hundredweight (100 pounds) by purchasing manufactured dairy products. The payments are passed along to dairy farmers by the purchasers of their milk. (This system differs from price supports for grain farmers, who receive their checks directly from the Agriculture Department.)

Last August, after two years of debate over how to lower the cost of the dairy program to the taxpayers, Congress authorized the Agriculture Secretary to levy a fee on dairy farmers of 50 cents per hundredweight.

Three South Carolina dairy farmers, along with the state of South Carolina, the state's consumer advocate and the state Farm Bureau, went to court to block collection of the 50 cents. A judge there ordered the Agriculture Department to stop collecting the fee until a hearing was held.

Farmers in the Southeast and Northeast say they are near long-established markets and are not responsible for the surpluses. They resent being put in the same penalty box as dairy farmers in states like Minnesota, Wisconsin and California, whose cows produce more than their regional markets can absorb.

Demand for dairy products is increasing, but supply is increasing still faster. There is disagreement on what to do. Production quotas have been suggested, but some dairy farmers strongly oppose them.

"We don't want production quotas," says dairy farmer Frank Gibbs of Allamuch, N.J. "We'd rather have a lower support price. We could live with that."

"What needs to be done is to reduce the support price," says Linwood Tipton, senior vice president of the Milk Industry Foundation, "and substitute that for the 50-cent assessment."

Another idea is for an assessment that would pay for the advertising and promotion of dairy products, to help them compete with soft drinks and dairy substitutes.

Rep. James Jeffords (R-Vt.) has proposed such an assessment. Jeffords does not believe that farmers will voluntarily cut production while costs are rising. He believes the imbalance could be solved by increasing demand rather than decreasing supply.

Others maintain that farmers will not cut production while feed grains are cheap and they are making a profit.

Congress will look at Jeffords' idea, and others, this spring. In the meantime, the administration is predicting that 13.9 billion pounds of dairy products will be added to its stockpile this year. □

"This is the business that turned our **dreams into reality**"

I never made "real money" until I quit working for someone else and started my own Duraclean business

"When I was with the New York City Fire Department—with a wife, and three children to raise—I felt I spent most of my time putting out financial fires at home! It occurred to me that I could never achieve the financial security and independence we craved working for someone else. The obvious answer—start a business of our own. But what? Sure, we had been able to

put a little money aside, but nowhere near what it takes to start most businesses. I looked for something I could get into with a small amount of borrowed money.

So Easy to Get Started

"Marge, my wife, discovered the perfect answer. She had run across a Duraclean story—a message much like this one—and we looked into it. Well, believe me, when we saw the superior Duraclean service demonstrated and found out what a low investment it took, we were sold.

"With a fireman's schedule, I was able to start out in my spare time. (I didn't want to burn all my bridges behind me.) Marge and I mailed out company provided mailings describing our service and soon the phone began to ring. She made the appointments. I rendered the service. When we discovered how much money there was to be made in a Duraclean dealership, I took early retirement from the fire department. Before long, I had to hire part-time servicemen. Soon, profits paid for our first van. Now most of the work is done by our four servicemen. Marge schedules the jobs, sends out mailings and does the bookkeeping. I do the job estimating, special spotting jobs and contact new prospects."

Now at this point you're probably asking yourself, what is this Duraclean business Wilt Hildenbrand keeps raving about? Well quite simply, it's a unique, superior system for cleaning upholstered furniture, rugs and carpets (don't confuse it with "steam cleaning" or ordinary shampooing methods). It not only cleans but restores and revives colors. It does not wear down the fiber or drive the dirt into the base of the rug as ordinary cleaning methods do. Instead it *lifts out* dirt by means of an absorbent dry foam.

Today the Hildenbrands provide cleaning for banks, country clubs, churches, offices, hotels, motels, funeral parlors, theaters and homes.

Carpet and furniture stores gladly recommend Duraclean to customers. It helps them close sales. 45% of the Hildenbrand's business is from customers' referrals and repeat orders.

Low Cost Investment

Would you like to have the freedom and independence enjoyed by the Hildenbrands? You can. Let us send you the facts. Mail the coupon, and you'll receive all the details, absolutely without obligation. No salesman will ever call on you. When you receive our illustrated booklet, you'll learn how we guide you STEP BY STEP to get customers; and how to convince your customers to recommend additional customers.

Wilton Hildenbrand mentioned the small amount of cash you need. You can start a dealership for as little as $3,488. Another option is a $11,588 full cash investment, and if you qualify, Duraclean can work out financing for half of this amount.

Send for FREE booklet

Send in the coupon today. With no obligation, we'll mail you a 32-page booklet explaining the business. Then you, and you alone, in the privacy of your own home can decide. Don't delay. Get the facts while your service area is available. Mail the coupon now.

Learn the facts before you decide. Mail coupon NOW.

Duraclean International

The first step—send for FREE Booklet today!

Duraclean International
3-243 Duraclean Building, Deerfield, IL 60015

Without obligation send free booklet that tells how I can have a Duraclean business. No salesman will call.
(PLEASE PRINT)

Name ____________________

Address ____________________

City ____________________

State __________ Zip __________

Feeding the Hungry—at Home and Abroad

McKenna's Wagon is a mobile soup kitchen that makes a circuit of downtown Washington streets each night to feed anyone who is hungry. Sponsored by a private group called Martha's Table, McKenna's Wagon feeds 200 to 300 people a day—street people, new arrivals in Washington, the poor.

"We depend on the Agriculture Department," says Dr. Veronica Maz, who heads Martha's Table. "They're keeping us alive."

McKenna's Wagon receives food from the department as part of a program under which $145 million worth of food will be donated in fiscal 1983 to hospitals, prisons, orphanages and disaster relief centers across the nation, as well as to soup kitchens. The government acquires the food through "surplus removal" and price support programs.

"The food comes into the Washington warehouse on huge trucks," Dr. Maz says. "They call us and say they have a load of, oh, peanut butter coming and ask how much we can use. We can have as much as we can use, no questions asked. In order to get into the program, all that's necessary is to prove our tax-exempt status. Then they send someone to check the facilities, and they begin to call and offer commodities. They have cut the red tape to almost nothing."

The charitable donations program is one of several programs, run by the department's food and nutrition service, that are aimed at getting food to the needy. The food stamp program, designed to feed poor people while stimulating the agricultural economy, remains the basic program of this kind.

The distribution of surplus cheese and butter began in December, 1981, and has been extended through December, 1983. This is a special program designed to dispose of the enormous surpluses of those products. Ten million poor people received cheese and butter last year, and the department expects to have distributed 500 million pounds of cheese and 125 million pounds of butter by the time the program ends.

In addition, the federal government has several programs to send America's surplus food to hungry people abroad. One involves long-term loans to developing countries for food purchases, at interest rates as low as 2 percent. Another provides for the donation of food and transportation to charitable groups like CARE. Still another makes grants of food to developing countries if those countries adopt policies to encourage food production.

---

seeded wheat since both may be planted in the same area." Wheat farmers will be permitted to graze livestock on the planted acreage or cut the wheat for hay. Farmers will decide individually how many acres to idle in exchange for grain.

The American Farm Bureau Federation, which "generally favors PIK," according to Joe Fields, associate director of information, believes participation will be high because payment will be high. "When we heard the wheat payment would be 95 percent, we nearly dropped our teeth," Field says.

Corn and wheat growers say the program is being discussed intensely at informal gatherings throughout the farm belt.

"Sounds like about 75 percent participation here, from what I hear," says Linus Eykamp, who owns a seed-conditioning business near Oldham, S.D. Eykamp, a former farmer, says, "They're so down and out and unhappy around here, they've got to do something. It will probably require some correction and tuning as they get into it, but it's a start, an incentive to get rid of all this surplus."

IN WILLA CATHER'S home town of Red Cloud, Nebr., farmer Gary Rasser says he will probably idle some of his 500 acres of corn and wheat land through PIK. But since he feeds much of the grain he grows to his livestock, he has been able to do better financially than those who sell the grain for cash. "Grain farmers are really hurting here, and it looks like some of them may go under," he says.

Farm suppliers were expected to be more skeptical about removing land from production, since it would cut down on their sales. The Agriculture Department estimates that PIK may reduce farm spending only about 3.4 percent, however. "For the most part, we have rather good support [from suppliers] because they realize that their business is not going to be good until we turn the farm picture around," Block says.

Jack Early, president of the National Agricultural Chemicals Association, echoes Block's view.

"NACA recognizes that implementation of [Payment-in-Kind] . . . could result in a short-term reduction in pesticide sales," he says, but his group "is willing to assume that the short-term risks of PIK are worth taking if the program can improve the financial base of the farmer."

"Whenever acreage is taken out of production, it hurts our sales," says William S. Davis, owner of Davis Brothers Farm Implements, of Goodland, Kans. But he adds: "In the long range, I think [PIK] might be good for us."

Block has said that no more than 50 percent of the cropland in any one county will be idled, to soften the blow to suppliers.

Some fears have been expressed, too, about the possibly depressing effect on prices of having so much stored grain come onto the market at once. The Agriculture Department responds that less grain will be released than might otherwise have been harvested. In addition, the Commodity Credit Corporation will pay storage costs for five months if the farmer holds the grain off the market.

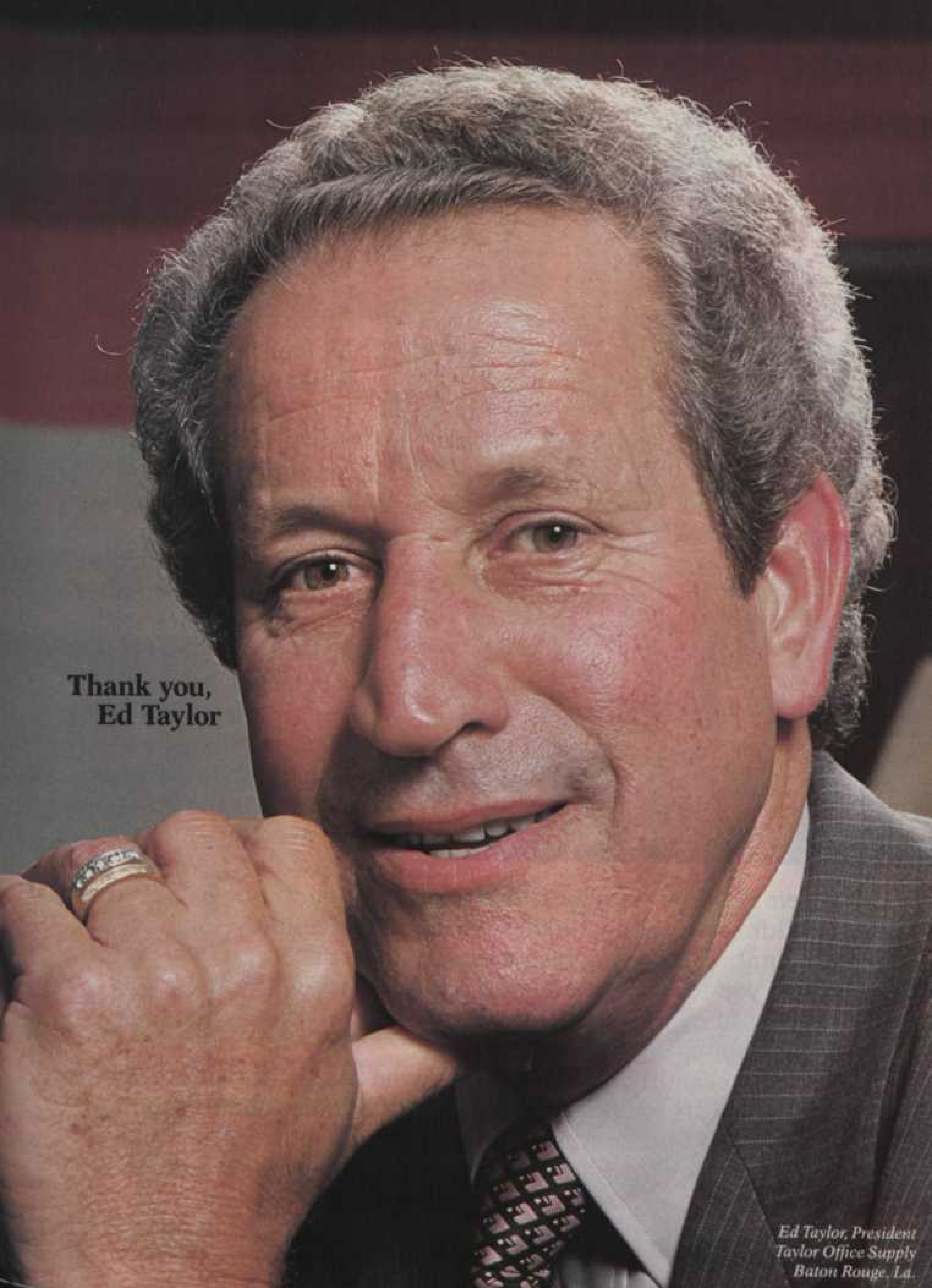
Meanwhile, the Reagan administration is taking other steps to help American agriculture. The President announced in January that he was more than doubling the credit available to foreign buyers of U.S. farm products, and he signed legislation guaranteeing that farmers' grain export contracts will be protected for at least nine months in case of another embargo.

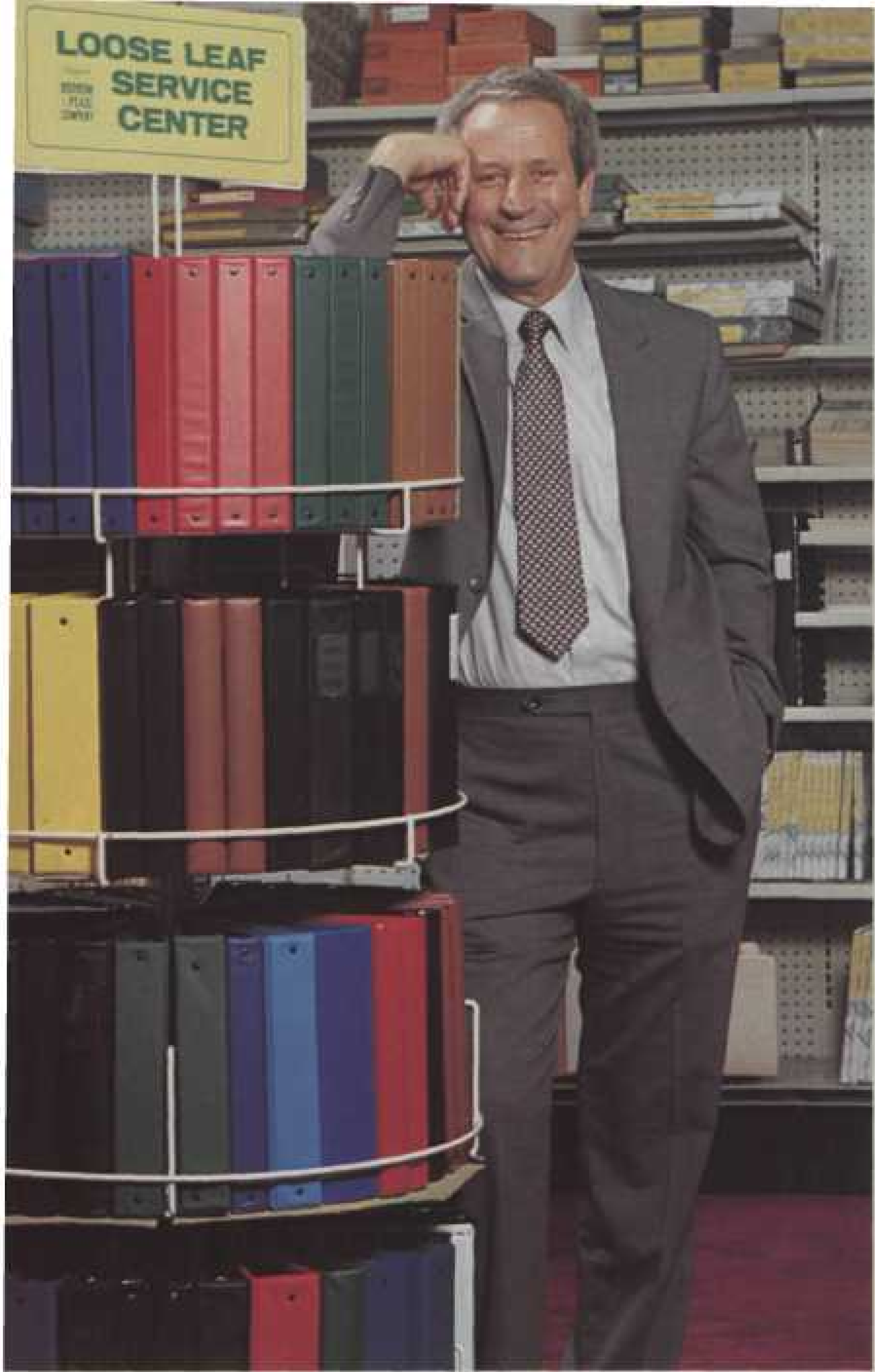
IN CONGRESS, Senate Agriculture Committee Chairman Jesse Helms (R-N.C.) says agricultural trade will be the committee's top priority in 1983. He says he favors "unilateral action, if necessary, to induce the Japanese to reduce their trade barriers and the EEC to eliminate their predatory agricultural export subsidies."

Sen. John Melcher (D-Mont.), who held up passage of PIK legislation during the lame-duck session, says the Senate "may need to do some legislative fine tuning" on the program. In the House, Rep. Ron Marlenee (R-Mont.), a House Agriculture Committee member, who questioned Block sharply during the PIK hearings in December, now says he has found "tentative endorsement" of PIK among farmers in his district.

Farmers, meanwhile, will continue to do what they have always done: hope.

"We hope things will get better," Wallace Brown says in South Dakota. In Willa Cather's Red Cloud, Nebr., Gary Rasser says he, too, is hopeful. "You've got to be that way in this business," he says. □


Thank you,
Ed Taylor
Ed Taylor, President
Taylor Office Supply
Baton Rouge, La.



Ed Taylor says he built his business on office supplies. That business now has about 1,100 customers in Baton Rouge and its environs.

It's not easy to build a successful small business but Ed Taylor and his wife, Fran (the former Frances McLaurin of Electric Mills, Miss.), have done it in just about twenty years. They've solved a lot of problems and helped a lot of people along the way.

When Ed decided to go out on his own after some experience with business products, he started out selling supplies from his home. (He used his garage as a temporary warehouse.) Fran kept the books and answered the telephone. Now they own—with their children—Taylor Office Supply in Baton Rouge, with two buildings (totaling 21,000 square feet), 24 employees and a reputation for being responsive to customer needs.

"If you tell a customer you're going to do something, you better *do* it," Ed says. Not surprisingly, customers like this philosophy.

Ed's speciality is selling. Luckily he has the time to make the outside calls so necessary for growth because he has sophisticated help to keep things humming at the office. That help, besides Fran, includes two sons, a daughter-in-law and a computer.

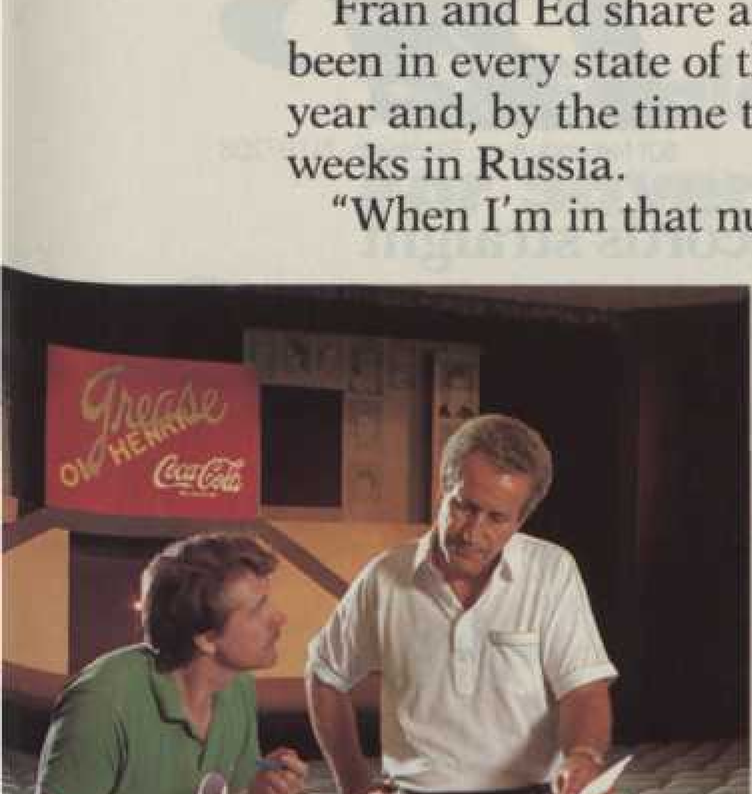
Who's the pilot? Both Ed and his wife Fran have earned their instrument ratings. Fran got her license first and usually (not always) gets first call on the left seat.

The same vitality and energy that Ed brings to his business, he brings to community activities and personal interests.

He's past President and Board Member of the Baton Rouge Aircraft Pilots Association and has done at least his fair share with the Boy Scouts, the YMCA and the Chamber of Commerce.

Fran and Ed share an avid interest in travel. They've been in every state of the Union, Europe, visited China last year and, by the time this appears, will have spent two weeks in Russia.

"When I'm in that nursing home, I'm not going to say oh how I wish I'd gone," says Fran. "There were many years when we did not go anywhere. Now that the children are taking hold, we can afford to get away."



Mike Derr, Technical Director of the Baton Rouge Little Theatre, and Ed discuss the presentation of a new musical. Ed's been a performer, a back stage worker and is currently on the Board.

It's a family business. Besides Ed and Fran, there's Grady (General Manager) and his wife, Dottie (on the left), and salesman Steve (on the right). Another son, Rick, is an attorney in Little Rock.

Boorum and Pease is proud to be in business with Ed Taylor and the thousands of office outfitters and stationers like him. They are in a tough, demanding business, and often miss out on a lot of the credit that is due them.

Keeping up-to-date with literally thousands of products, while moving ahead to meet the needs of future offices takes intelligence and innovation. America's commercial stationers have it. They represent the best of our business traditions: honesty, integrity and progress.

Stationers like Ed Taylor are an integral part of Boorum and Pease's 140 years of success in providing the best office products. Like him, we are professionals committed to quality.

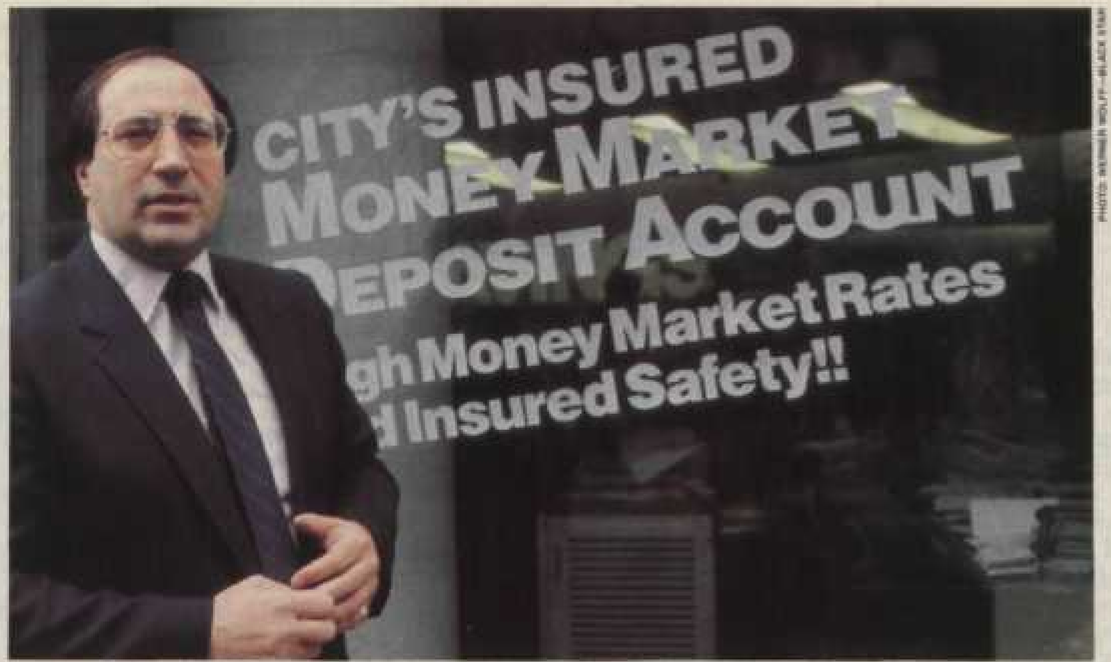
BOORUM & PEASE

B&P

801 Newark Ave., Elizabeth, NJ 07208

We keep the records straight

Designed for service—the Boorum and Pease complete line of high quality ring binders includes a variety of styles, sizes and sheet capacities. The superior metal ring mechanisms are smooth operating and hold the sheets securely. Attractive covers are available in virgin vinyl, fabrics and other durable materials.



S & L official Edward Capozzi calls money market accounts "a natural for consumers."

The Escalating War For Savers' Dollars

Banks and thrifts have used new accounts to retake ground lost to money market funds, but can they hold their gains?

By Mary-Margaret Wantuck

LAST DECEMBER 14, a new era of financial competition opened in this country. The catalyst: the money market deposit account, established as a rival to money market mutual funds.

For more than a decade, banks and thrift institutions—prevented by law from paying market rates to depositors—had watched helplessly as uninsured and more loosely regulated money market funds took hold. The funds blossomed in the credit squeeze of 1974, when double-digit short-term interest rates emerged.

The lure of the money market funds was powerful. For individual bank and thrift customers who had passbook savings accounts paying 5¼ and 5½ percent interest and who could afford an investment of only $1,000, the funds were the way to tap into the high interest rates available in the money markets.

For others who could afford $10,000 bank and thrift certificates of deposit, the funds provided a diversified portfolio of holdings with virtually complete liquidity. And before interest-bearing checking accounts became a reality under a 1980 law, the funds offered a way to have a checking account that paid interest, although checks could be written only for amounts above $250 or $500. Even large companies found the funds to be a happy temporary home for money, and a whole sector of institutionally oriented funds developed.

Bank and thrift passbook losses to the money market funds were massive, and banks began to push for competitive equality. Thrifts agreed that a similar bank/thrift instrument was necessary, but they argued that their eroded deposit earnings and inability to offer commercial loans and other services available from banks made it impossible for them to offer market rates and survive.

Congress stepped into the breach last year with the Depository Institutions Amendments, expanding thrifts' services and authorizing a money market account for businesses and individuals. The money market account requires an initial deposit of $2,500, has no minimum maturity requirement and no interest rate ceiling unless the balance falls below $2,500 (in which case the rate reverts to the NOW checking account rate), and can be used for no more than six third-party transfers a month.

HOW ARE THE INSTITUTIONS that sought authority to offer the account using the new competitive tool? At most banks and thrifts, promotional strategy for the new account has been, at the start, to offer substantially higher interest rates than money market funds pay. However, the real world has been intruding on these dream yields for consumers. Interest rates have been falling—either gradually, by half-percentage points, as the banks and thrifts see what the competition does, or more dramatically, by as much as 50 percent.

Other institutions have been content from the outset to offer money market accounts at rates in line with those of money market funds. The small Executive National Bank in Miami ties its rate to 13-week and 26-week Treasury bill

rates. "The Treasury bill is probably as solid as you can go and probably the one thing customers are most familiar with," explains a bank official. "It's something they can track to make sure we give them a fair rate."

Another promotional device has been to offer higher rates for larger deposits. Bankers Trust in New York City, for instance, has been adding an extra ¼ percent for accounts between $25,000 and $49,999, ½ percent for accounts between $50,000 and $99,999 and ¾ percent for those $100,000 and over.

ESTIMATES HAVE BEEN flying fast and furious over how much banks and thrifts will take from money market funds and how much will simply be transferred from passbook accounts and other deposits the banks and thrifts already have. The mutual fund industry accepted the probability of a $25 billion deposit loss to the new money market accounts. In fact, at the end of January the industry held $33 billion less than the $232 billion it held on December 1.

Reginald Green, a vice president at the Investment Company Institute, a Washington-based trade association for mutual funds, explains that much of that loss may have been to money market accounts, but that people have also been switching from money market mutuals to stocks and bonds and tax-exempt funds and have "taken out money for Christmas shopping and to pay taxes." Green adds that his association has charted a diminishing decline in fund outflows "coinciding with a drop in interest rates for the bank accounts."

But banks and thrifts, which at last count had more than $215 billion in the money market accounts, say a large chunk of that is new money, much of it coming from money market mutuals.

Bank and thrift analysts insist that in the long run low-interest "core" deposits like passbook savings accounts will not be severely drained. The banking research firm of Keefe, Bruyette & Woods, of New York City, finds it difficult to envision a stampede out of passbook accounts into money market accounts. Kenneth Puglisi, an analyst with the firm, maintains that "if yields of close to 20 percent on money funds and 16 percent yields on money market certificates could not convince the die-hards to part with their passbooks, lower yields on money market accounts are not likely to persuade them, either."

James Christian, chief economist for the U.S. League of Savings Associations, says he would be "surprised if more than 15 or 20 percent of the $90 billion in thrift passbooks shifted into the money market account."

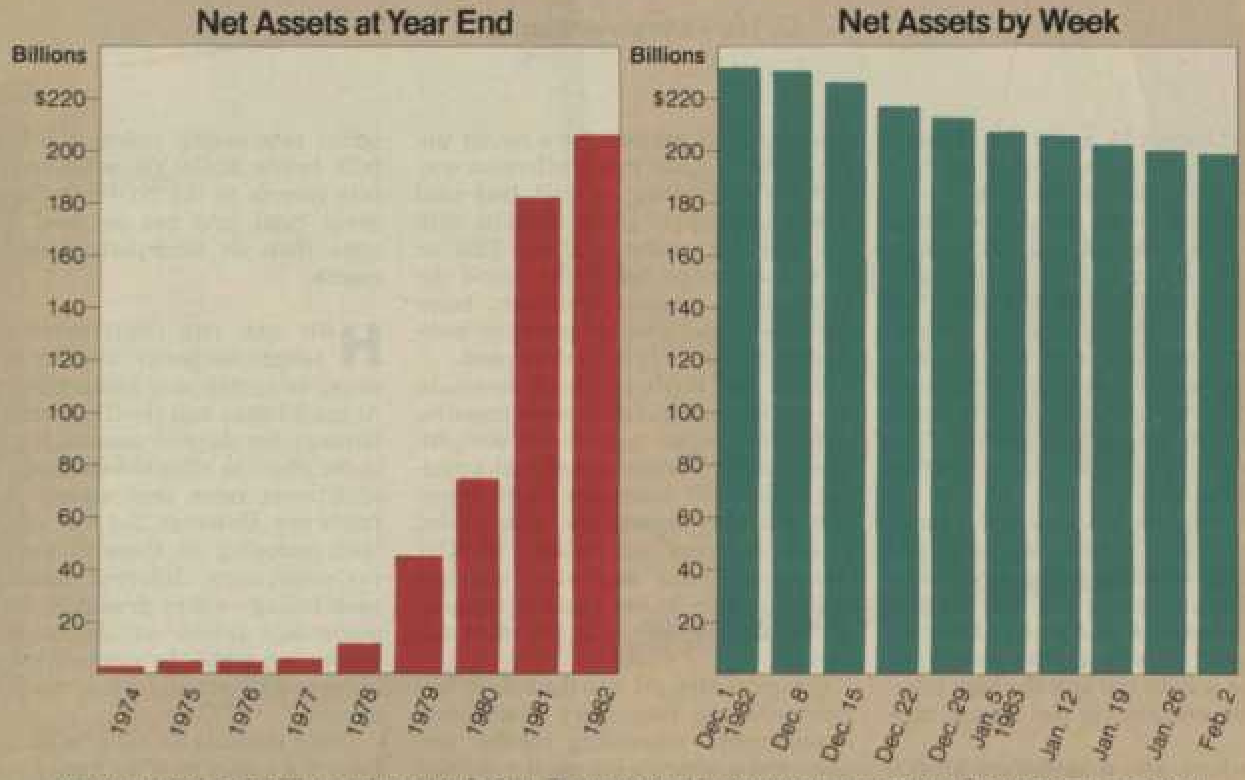
But according to the Federal Reserve Board, 25 percent of commercial bank passbook savings went into the new account in December. For the same month, at savings and loans, the Federal Home Loan Bank Board reported a 20 percent flow from passbook savings into the money market account.

THE FED IS closely monitoring the money market account and its sister account, the super NOW. The super NOW, which made its debut on January 5, is an interest-bearing checking account like the NOW but pays market interest rates, provided there is a $2,500 balance. There is no limit on the checks that may be written on a super NOW, but since banks and thrifts must maintain much higher reserves for super NOWs than for money market accounts—12 percent, as opposed to 3 percent for business money market accounts, with no reserve requirement for individual money market accounts—they typically impose stiff fees per check as well as monthly service charges.

The Fed measures the basic money supply—M1—by counting currency and amounts held in checking accounts. A broader measure—M2—adds small savings deposit accounts and money market mutuals offered to individuals. M3 includes such items as M2 plus large time deposits and institution-only money market funds.

For the time being, the money market account is being reported as a separate component of M2 and M3 on a non-

The Money Market Funds: Rise and Fall



Assets totaled $1.7 billion at the end of 1974. They peaked in the week starting last December 1 at $232.1 billion and were down to $197.4 billion in the week starting February 2.

Source: Investment Company Institute

Every payday, ADP pays 6,000,000 people at 80,000 companies nationwide.

Clementina Freedman is a business manager for Mergentime Construction Co. After 32 years on the job site, Clem Freedman knows how to build a construction payroll.

"A construction payroll is an entirely different animal. For example, this current project includes 250 employees, 14 labor unions and is federally funded.

"Now, 14 different unions means 14 wage scales, insurances, dues reports, company costs, vacation funds, 14 everything for a payroll that goes up and down as jobs end and begin.

"Then there's the federal funding, and where federal funds are concerned, the government wants to know how the money is being spent. That means tons of reports.

"Years ago, it took days to do a payroll like that. Not anymore. Not since I started using ADP. I called ADP in because I knew I could get exactly what I wanted.

"Together, we worked out a payroll system that's perfect for our needs. The unions and the government even accept ADP management reports and analyses at face value. That saves hours of filing.

"When I build a payroll from the ground up, I take ADP along. Maybe I should be on ADP's payroll?"

Clem Freedman and Mergentime Construction Co. are valued clients of ADP. They are proof that no payroll is too complex or too specialized for ADP to handle.

For more information about our services—payroll, job costing, accounts payable and receivable, general ledger and financial reporting, and others—call us free, at 800-526-7474. In New Jersey, call collect at 201-472-2222. Or write to ADP, 405 Route 3, Clifton, NJ 07015.

Including 250 at Mergentime Construction Co.

ADP

The computing company®

seasonally adjusted basis, and the super NOW as part of M1. But some economists argue that since a limited number of checks can be written on a money market account, a portion of the account should be included in M1. On the other hand, analysts feel that the super NOW will draw substantial amounts that really represent people's savings and should therefore be included in M2 and consequently M3.

As promotional rates decline, banks and thrifts and money market mutuals are intensifying campaigns touting the benefits of their respective instruments. Most of the money market accounts are federally insured (some are state insured) and offer the customer convenient access through local bank branches and automated teller machines. "High market rates plus insurance plus being able to keep in close touch with your bank plus liquidity make this account a natural for consumers," says Edward Capozzi, a vice president at City Federal Savings and Loan Association in Elizabeth, N.J.

BUT THE Investment Company Institute's Green says insurance—or a lack of it—was the last thing on 13 million shareholders' minds when they began investing in money market funds. The funds do not take risks and they are watched by the Securities and Exchange Commission, he says. And, he adds, they offer advantages that the banks and thrifts don't—an initial deposit and minimum balance of only $1,000 (sometimes lower) and an array of alternatives open to the investor within a family of mutual funds.

Money market funds see the services banks and thrifts offer as their greatest threat. "If our services are not competitive and the shareholder faces problems in redeeming his money, it will be easy for the shareholder to decide to go into a money market account," says Peter Gordon, vice president of T. Rowe & Price Associates, a mutual fund firm in Baltimore. "We need to improve simple things like not having phone delays and communication problems between the shareholder and the custodian bank where shares are redeemed."

John Guffey, president of the Calvert Group, a mutual fund firm based in Washington, believes improvement in services is crucial. He envisions the day when mutual funds will be offering debit cards, credit cards and access to automated teller machines. Calvert, as part of its array of investment alternatives, now sets up insured money market accounts for its customers in certain savings and loan associations. "If you can't beat them, join them," Guffey philosophizes.

A big question in bank and thrift boardrooms is where to invest the increased capital.

Richard Stillinger, a vice president of research at Keefe, Bruyette & Woods, says banks will "be doing more interest-rate-sensitive lending, tending toward variable-rate loans and paying off other liabilities that are higher cost."

Christian at the U.S. League of Savings Associations sees thrifts using the money to "get rid of high-cost jumbo certificates and holding the balance in liquidity because of rising mortgage commitments." He also foresees thrifts providing "30-year loans with one- to two-year adjustable rate schedules."

Money available for loans should be more plentiful after the second quarter

PHOTO: DAVID VALDEZ

Banks and thrifts say their new accounts are pulling money from mutual funds.

when more realistic interest rates are paid on the money market account, financial analysts indicate.

Anthony M. Solomon, president of the Federal Reserve Bank of New York, hopes that "once the initial promotional efforts subside, we'll see more judicious and sustainable pricing for these new important instruments."

MORTGAGE RATES could rise because of the high interest paid on the money market accounts and super NOWs, but lending rates for autos and home improvement loans are likely to stay generally in the 15 to 20 percent bracket. Banks have always been reluctant to cut consumer loan rates because they are generally longer-term and paybacks are thus more unpredictable. The cost of the new accounts is expected to increase this reluctance. Some economists even say that the money market account will spur banks to offer variable-rate consumer loans.

Also, banks will reprice "products," notes Barbara Harrelson, a spokesperson for the American Bankers Association, so that they can cover costs of new deposit instruments by charging monthly maintenance and transaction fees. Credit card fees could spiral further along with credit card rates. In the last two years, credit card rates have soared to between 18 and 20 percent, from an average of 12 percent nationwide.

As one banker puts it: "Consumers have to realize that if we pay them X for their money, we have to charge X plus something for loans."

What's next for money market accounts? The Depository Institutions Deregulation Committee, which formulated the guidelines for the accounts and is responsible for phasing out all interest rate ceilings, has proposed allowing unlimited transactions—check writing and phone transfers—on money market accounts for businesses.

Small banks fear this would erode their already laggard earnings. Bank costs are already expected to go up about 3 percent this year, according to James Benda, federal administrative counsel for the Independent Bankers Association.

Meanwhile, on Capitol Hill, Rep. Douglas Barnard (D-Ga.) has reintroduced legislation that would require the Fed to pay interest on the reserves a bank must hold against money market account and super NOW account deposits. Having to hold noninterest-bearing reserves reduces what a bank can earn on its deposits and consequently limits the interest it can offer.

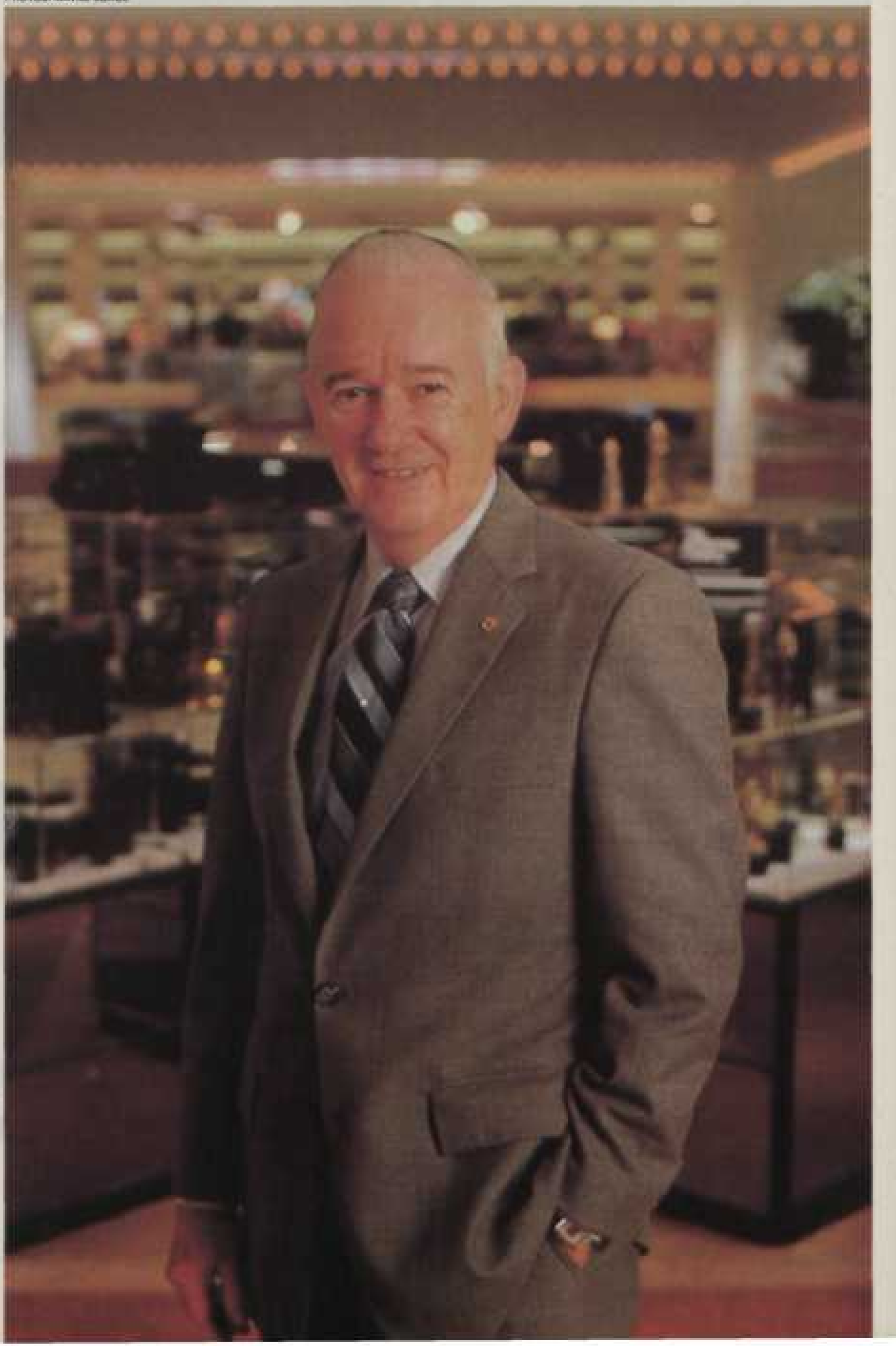
But despite all the kinks still to be ironed out, bankers and thrift executives are generally of one mind when they say money market accounts are here to stay. □

Cashing in On Change at Penney

Donald Seibert has risen from shoe clerk to CEO in a company that has been on the move, too.

By Grover Heiman

PHOTOS: WAYNE SORCE



WHEN Donald V. Seibert went to work as a shoe salesman in a J.C. Penney store 36 years ago, the company hadn't moved far from its roots.

Most of its stores were on Main Streets, and James Cash Penney, who had founded the chain in 1902, was still a director.

From his 45-story headquarters building in New York, Seibert, as Penney's chairman and chief executive officer, oversees a vastly changed company whose focus is on suburbia and the regional shopping center.

Change at Penney, which thrives in an industry where giant competitors have been laid low (Penney is the nation's third largest retailer, behind Sears, Roebuck and K Mart) is a continuing process.

Only a few weeks ago, Don Seibert, 59, announced a $1 billion program for remodeling 450 larger stores. At the same time, he said Penney would no longer run automotive centers, closing more than 400 of them this year, and would end most merchandising of major appliances, paint and hardware, and lawn and garden equipment. Penney, concentrating on apparel, leisure merchandise and home furnishings, is positioning its stores for more profitable, effective competition with suburban department stores.

Not that the company has turned its back on its past. It still calls its employes "associates" and exhorts them to adhere to the Golden Rule. The company's founder, who died at 95 in 1971, actually called his first store, in Kemmerer, Wyo., The Golden Rule. It still functions as J.C. Penney Store No. 1.

The Penney atmosphere was tailor-made for Don Seibert, since it gave him the opportunity to combine a strong entrepreneurial instinct, a competitive spirit and high personal principles.

Seibert's principles were put to the test in the summer of 1946, when he was pianist and vocalist ("The Romantic Vocals of Donny Seibert") for a dance band booked for the season at a resort on Chautauqua Lake in western New York.

The weather turned bad, the tourists stayed home, the resort closed and the band broke up. The band had leased four rooms over a restaurant for the summer, but the musicians ignored the lease and left in a hurry—except for Don Seibert. Seibert, who had his wife, Verna, and a baby daughter with him, stayed; he was determined to pay off the debt.

The restaurant owner let the Seiberts work for him the rest of the summer, cleaning tourist cabins, washing bedding and doing odd jobs. He allowed them to rent the three vacant leased

rooms when they could, but the weather got progressively worse.

When Labor Day came and the season ended, the Seiberts still owed $150 on the bill. The only jobs open in the area were with a grape-juice processing plant 20 miles away; the pay was 75 cents an hour. Each morning Don Seibert walked to the highway and a company truck picked him up, along with other itinerant workers.

When the debt was finally paid off that fall, the Seiberts moved to Bradford, Pa., to live near his parents, and Don reassessed the future. He had been looking toward a career in music, or if not that, in industrial design. But when he heard that the local J.C. Penney store was looking for a shoe clerk, he applied. He had some experience as a shoe salesman, and he got the job. Almost immediately, he decided he wanted a career in retailing.

Seibert, who was born in Hamilton, Ohio, near Cincinnati, had come naturally to an interest in music. His father was an accomplished pianist, and scores of the other Seiberts in the Cincinnati area were musicians. Don vividly recalls Sunday afternoons when 35 or 40 Seiberts would gather to play German band music.

Don became adept at the clarinet and saxophone as well as the piano. While in high school, he formed his own band and also played with other bands in the Cincinnati area.

AS HE DEVELOPED as a musician, Seibert became an entrepreneur, too. He began delivering newspapers when he was 13, saved his money, and when he had $25, bought a small hand-operated printing press. His parents let him install it in a small room off the kitchen, and he began turning out profitably handbills, tickets and other small printing jobs.

In high school, he was on the tennis and track teams, but he still found time for part-time jobs. At 15 he talked himself into a job with a local department store, selling shoes on Saturdays. His family hoped he would go into engineering—his father, his brother and all of his cousins were engineers. Don refused to study engineering, but he compromised with his family and agreed to become an industrial designer.

He was studying industrial design at the University of Cincinnati when the United States entered World War II. Seibert enlisted in the Army Air Force in 1942 and soon found himself at Newark, N.J., in an organization that supplied bombsights and other classified equipment to units overseas.

In Newark he met Verna Stone, a nurse from Chillicothe, Ohio. They got married in the summer of 1945, a few months before Don was discharged as a staff sergeant.

The disastrous summer at Chautauqua Lake followed, and then the return to retailing at Bradford. Seibert enjoyed success as a shoe salesman—he is the quiet, helpful, low-key type who inspires customers to insist on buying. In the next five years he firmed up his goal—he wanted to manage a Penney store. Soon, Don Seibert was the assistant store manager, and he came to the attention of the district manager.

At the time, Penney had chosen Buffalo, N.Y., as one of the first sites for a big suburban shopping center store. Seibert was offered the job of supervising the shoe, infants, boys and girls lines. "It was a good developmental move for me," Seibert says. "It was quite a transition from a typical Main Street Penney's to a store that is open 12 hours a day and six nights a week. It was a much faster track, and I became part of the profit-sharing management group."

But the move wasn't without cost. Some evenings his wife would bring his supper and their two daughters down to the store so that he could see his family. Seibert would put them in the stock room and run off some price tags there for merchandise, visit with his family and go back to his departments. When he returned to the stock room, Verna Seibert would have the tags on the merchandise, and the time would be free for him to visit with his children.

"That was probably a violation of policy," he says. "But it gave me a chance to see my family. When I look back on it, that was probably the most difficult time of my career with regard to my family and my job.

"What made it so difficult in the store was that none of us had any experience in a suburban store. We had to work out schedules for salespeople to keep the floor covered at all times the store was open and still get everything else done. It made for long, long hours."

After 16 months Seibert was promoted to assistant manager of the Elmira, N.Y., store. Then he was sent to Rochester as assistant manager, to help open the first suburban store in that city. Seibert was there from 1955 to 1957 and believes he came away a winner. The store's manager was "particularly good in women's fashion lines, and he taught me the fashion business."

Under Donald Seibert's leadership, J.C. Penney is placing greater emphasis on high-fashion apparel. In Atlanta he discusses this strategy with associates.

Seibert got his own store, in Levittown, Pa., in 1957. This was a large suburban shopping center store, and Seibert was content until Penney offered to make him one of its 50 district managers.

"Another tough year," Seibert says. "I worked a district out of Minneapolis, which was large geographically. I drove about 1,500 miles a week. I was gone from early Monday morning until late Friday night."

In 1960 he ran a district out of Toledo. Part of his work involved participating in marketing research, and he frequently had visitors from the firm's New York headquarters. In 1963, when the company's director of planning and research was moved to another job, Don Seibert was made the new director.

"The company was going through a

The chief executive of J. C. Penney does a lot of traveling. Whenever his wife, Verna, goes along, she helps him do some personal shopping. On this trip he bought a Penney topcoat.

transition and expanding into other lines of merchandise and other businesses," he recalls. "My predecessor set up a planning and research activity to handle this and staffed it with experts. In the initial going, at least, Penney's management believed they should have someone running this office who understood the business, so they elected to go with a Penney-trained person to head it."

Don Seibert moved his family to a comfortable house in Murray Hill, N.J., and began commuting the 30 miles to New York every day.

In 1962 Penney had decided to get into catalog sales by acquiring Milwaukee-based General Merchandise Company, a catalog-sales operation. In 1964 Don Seibert was promoted to assistant director of catalog sales. Six months later he was named director.

IT TOOK SEVEN YEARS, until 1971, for Penney to show a profit from catalog sales—and that was earlier than expected. "We entered the catalog business as a full-scale business from the start," Seibert says. "And I am convinced it was the right decision. But it did require a large commitment on the part of the company."

Penney now has more than 1,800 catalog centers, in its stores and at other locations.

In 1967 Seibert was named a vice president. Two years later he was named to the board of directors, and the Thrift Drug chain was added to his responsibilities. By 1971 he was also in charge of the Treasury Stores, a Penney discount operation; the next year the Sarma discount department store chain in Belgium was added to his responsibilities.

William M. Batten was chairman and chief executive officer of Penney at the time (he later became New York Stock Exchange chairman), and in 1973 he made Seibert vice president for corporate planning and development.

Batten, who had started in 1926 as a salesman at a Penney store in Parkersburg, W.Va., was scheduled to retire as Penney chairman and CEO in 1974. On October 1 of that year, Don Seibert was announced as his successor.

"The planning and development assignments I had were probably a factor in the final decision," Seibert recalls. "But at the top of a company you have five or six key jobs and although the chairman and CEO can be viewed as No. 1, there are some that are a close 1½, so to speak. For example, your strongest financial guy should be your financial officer."

Seibert says his first task as CEO was to start building a management team that would someday succeed the one he headed. But there were other jobs that needed to be done—marginal or less promising operations had to be dropped.

Under Seibert's leadership, Penney liquidated the Treasury Stores, which had after-tax operating losses totaling $38 million in 1979 and 1980. "We liquidated the discount business primarily on the basis of resource allocation and priorities," he says.

One priority was developing more of the larger Penney stores. Penney now has 580 of these stores, located primarily in regional shopping centers in major metropolitan markets.

The company still has 1,050 smaller stores, and Seibert has made sure those stores are not neglected. He has established two separate organizations, one to manage the stores in metropolitan areas and another to manage the stores in smaller cities—like Bradford, Pa. All together, Penney has 180,000 employes.

Former chairman of the National Retail Merchants Association, Seibert now will head the American Retail Association.

Seibert, who will retire this August at the age of 60 (the age when Penney managers normally retire), is confident that the company's forward momentum will continue after he steps down.

Penney is moving to meet a changing market not just by opening larger stores in suburban areas but by introducing more appealing merchandise—high-fashion clothes, for example. Last year the noted designer Halston signed a six-year agreement with Penney to provide designs for women's, men's and children's clothing and home furnishings.

Despite the recession, Penney's sales in its fiscal year ending last Jan. 29 totaled $10.36 billion, up 2 percent from $10.16 billion the year before.

When Don Seibert retires from Penney, he will not be retiring from the business scene for a couple of years at least. The American Retail Federation has elected him its chairman for a two-year term, and that will mean spending a lot of time in Washington.

When he is not in Washington, Seibert will be back in Murray Hill. His compensation from Penney in 1981 was $812,289—enough to provide him with a vast estate and posh vacation homes, if he wanted them. He has no such trappings of success. The five-bedroom house where he has lived for 20 years will remain his only home in retirement. (The Seiberts have two married daughters and a son, also married, who is assistant band director at the local high school.)

Close by is Long Hill Chapel, the Chatham, N.J., congregation of the Christian and Missionary Alliance. Don Seibert is active in its music and Sunday school departments.

Seibert is not sure what he will do after his chairmanship of the retail federation ends. But most certainly it will be in the best tradition of the J.C. Penney Company, a firm that has been a leader in community service. Seibert is currently chairman of the board of governors of the United Way of America.

And most certainly the Seiberts don't plan to change their traditional summer vacation plans. As they have in the past, they will spend a couple of weeks next summer at Chautauqua Lake. □

To order reprints of this article, see page 46.

Has your state honored you with something other than regulation and taxes lately?

Each year in Kentucky, we hold a Governor's Industry Appreciation Luncheon.

A minor event, you say. Not to the many business people who attend. And certainly not to us.

We believe in thanking companies for expanding their operations here in Kentucky, just as we believe in welcoming new industry to the state.

A company that moved here from the Northeast called it "southern hospitality." But the spirit of cooperation between business and government in Kentucky is more than hospitality.

At a time when government often appears to be at odds with business, we make it our business to make sure companies here have the support and the economic tools they need to compete effectively.

And each year, we hold our Industry Appreciation Luncheon. It only lasts an hour or so, but the spirit of cooperation it represents, you'll find in Kentucky all year long.

For more information about what the state that's run like a business can do for your business, write: W. Bruce Lunsford, Secretary, Commerce Cabinet, Commonwealth of Kentucky, Frankfort, Kentucky 40601. Or better yet, call him at 502/564-7670.

At the Industry Appreciation Luncheon Governor Brown also honored his wife, Phyllis George Brown, for her work with the Kentucky Film Foundation and her efforts promoting Kentucky tourism and Kentucky crafts.

KENTUCKY & CO.

The state that's run like a business.

His Message: Barter Is Smarter

PHOTO: ROGER KARNBAD

Marvin J. "Mac" McConnell, the man behind Business Exchange, puts a new pin on his office wall map. The pins stand for the more than 200 U.S. and Canadian cities with BX members.

CALIFORNIA, popular belief has it, is where America's trends begin. The opening this month in the Los Angeles area of a store named the BarterMart may touch off yet another California-spawned trend.

The idea at the BarterMart is to swap new and unused items, with no cash involved. Suppose, for instance, you are freshly married and have received three new toasters from as many well-wishers. You could trade two of the toasters for a new blender at this cashless store.

BarterMart is one of the latest ideas of Marvin J. "Mac" McConnell, 62. He is founder, chairman and president of Business Exchange, Inc., the oldest and one of the largest barter exchange associations in the world, with more than 15,000 large and small business members.

As recently as 1980, the association, a publicly held company, had only 4,500 members. Since then, it has been growing rapidly, as many of the nation's largest corporations have opened barter divisions and joined Business Exchange (which uses the symbol "BX" in its international transactions). Revenues at BX rose 60 percent between fiscal 1981 and fiscal 1982, to $4.1 million, and net income was up 73 percent. Revenues are growing another 30 percent in fiscal 1983, McConnell says.

What Mac McConnell has done is to take an ancient, simple form of swapping and adapt it to today's business methods so that barter transactions can be completed as simply as writing a check.

The ancient form of swapping was known as "heads up" barter, McConnell explains in his spacious North Hollywood, Calif., office (furnished with bartered goods). When the Dutch traded shiny trinkets to the Man-a-hat-a Indians for an undeveloped piece of real estate—Manhattan Island—on May 6, 1626, they were engaging in "heads up" barter.

In 1960, when he formed BX, the Iowa-born McConnell came up with the refinement he calls liquid bartering. It uses a system of checking accounts, just as banks do. Says McConnell: "It allowed businesses to operate with accounts and the writing of cashless checks, known as BarterCheks, to acquire what they need."

(McConnell had banking experience before he started Business Exchange. He left the advertising business in 1955 to organize a savings institution, Englewood Thrift & Loan, and sold it five years later.)

When a BX member business wants to obtain goods by barter from another member, the purchasing firm gives the selling firm a BarterChek that represents the value of the bartered goods. The seller deposits that BarterChek with BX, receiving a credit that it can use to write a BarterChek of its own when it buys from a third member.

NEW MEMBERS join McConnell's association by paying an entrance fee of $395 to $795, depending on the size of the company. Then they list the goods or services they are offering for exchange, in a national computer bank and in a directory available to all members. McConnell charges an 8 percent fee to the purchasing party on every barter transaction.

At first, BX went nowhere.

"I knew I had come up with an idea that could create a worldwide exchange system," McConnell says, "yet it wasn't working because of cost ineffectiveness." In other words, the 8 percent fee wasn't bringing in enough money to cover the operation's costs. But McConnell didn't think that he could raise the fee without driving away customers.

"After about five years of this," McConnell recalls, "people came to me and said, 'You are the most stubborn genius or the most stubborn idiot I've ever met.'"

It took nine years to turn BX into a profitable operation. The turning point came, McConnell says, when he established Barterlink, a computerized system that made it much easier to match buyers and sellers.

Once the corner was turned, Business Exchange enjoyed modest growth in Southern California for a few years. But the company really began to grow after McConnell started selling franchises. Now there are BX offices in more than 200 cities in the United States and in Montreal and Ottawa, Canada.

BX plans to expand into Europe soon. But investment counselors warn that international bartering is a very sophisticated form of trade and requires expertise. Participants have to take into account numerous factors, such as the differing values of goods and services in different countries.

McConnell will undoubtedly have to deal with such pitfalls as BX expands its operations overseas. But for now, he is enjoying his company's rapid growth in the United States over the last four years—growth that he is sure has been fueled by high interest rates. For many firms, swapping has turned out to be a way to get the goods they need without paying those high rates.

Many things can be purchased through barter, McConnell points out. Mr. and Mrs. Archil Roy, a California couple, recently paid for their daughter's $5,000 wedding entirely by BarterChek. They then chartered a boat—paying again with BarterChek—and sailed to Catalina Island to recuperate from the festivities. The Roys own a company that produces crafts kits, which have been put up for barter. □

—Seth Kantor

United Airlines presents Tokyo & Hong Kong.

Introducing Royal Pacific Service. Starting April 2, 1983.

It's a whole new way to travel that's uniquely United throughout.

First Class from head to toe.

No other airline has our First Class seat. We had it built expressly for Royal Pacific Service. Our sleeper seat has a hydraulically adjustable footrest and generous storage underneath.

World Class service.

In First Class, a choice of several entrées—including Chateaubriand—and a spectacular hors d'oeuvre cart. There's a choice of entrée in Coach, and Oriental appetizers in all three classes.

A schedule to fit your schedule.

Departures and arrivals have been scheduled for convenient connections to and from cities on United's system throughout the United States.

Our unique Business Class.

You'll enjoy the comfort of our 767 First Class seat—designed for superior orthopedic support and legroom. Roomy, eight-abreast seating means you're never more than one seat from the aisle. And you'll receive special headphones, complimentary beverage service, and choice of entrée.

SEATTLE				
Flight	Equip.	Day	Leave	Arrive
To Tokyo:[1]				
143	747	Daily (ex. Tues.)	12:55 p.m.	2:45 p.m.*
From Tokyo:[1]				
150	747	Daily (ex. Tues.)	7:00 p.m.	11:35 p.m.**
To Hong Kong:[2]				
17	DC-10	Daily	1:20 p.m.	6:15 p.m.*
From Hong Kong:[2]				
18	DC-10	Daily	1:45 p.m.	11:00 a.m.**
PORTLAND				
Flight	Equip.	Day	Leave	Arrive
To Tokyo:[1]				
141	747	Tues.	1:00 p.m.	3:00 p.m.*
From Tokyo:[1]				
148	747	Tues.	7:00 p.m.	11:55 a.m.**

[1] Schedule eff. 4/24/83 to 10/30/83. Ask your Travel Agent or United about schedule prior to April 24.
[2] Schedule eff. Spring 1983.
*Arrive next day. **Arrive same day.

ROYAL PACIFIC SERVICE

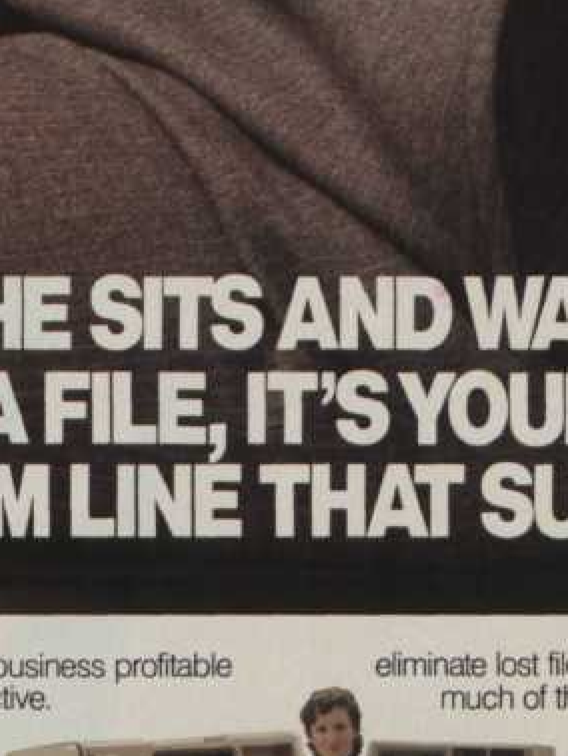
UNITED AIRLINES

The best way to keep your business profitable is to keep your people productive.

So a file system that keeps people waiting for important documents is something you just can't afford.

What you need is the help of File Management Systems from 3M.

With our micrographic filing system, for example, you can dramatically increase worker productivity by speeding retrieval time for files. You can also virtually eliminate lost files and misfiles. All while saving much of the space you currently use for record storage.



To find out more about the advantages of file management, send for our free booklet. But do it quickly. Because every minute you wait to respond is another minute your employees are doing the same.

Call toll-free: 1-800-328-1684, in Minnesota 1-800-792-1072. In Canada call 1-800-268-9055, Operator 13.

FILE MANAGEMENT SYSTEMS

Please send me your free booklet on file management.

Name__________

Company__________

Title__________ Phone__________

Address__________

City__________

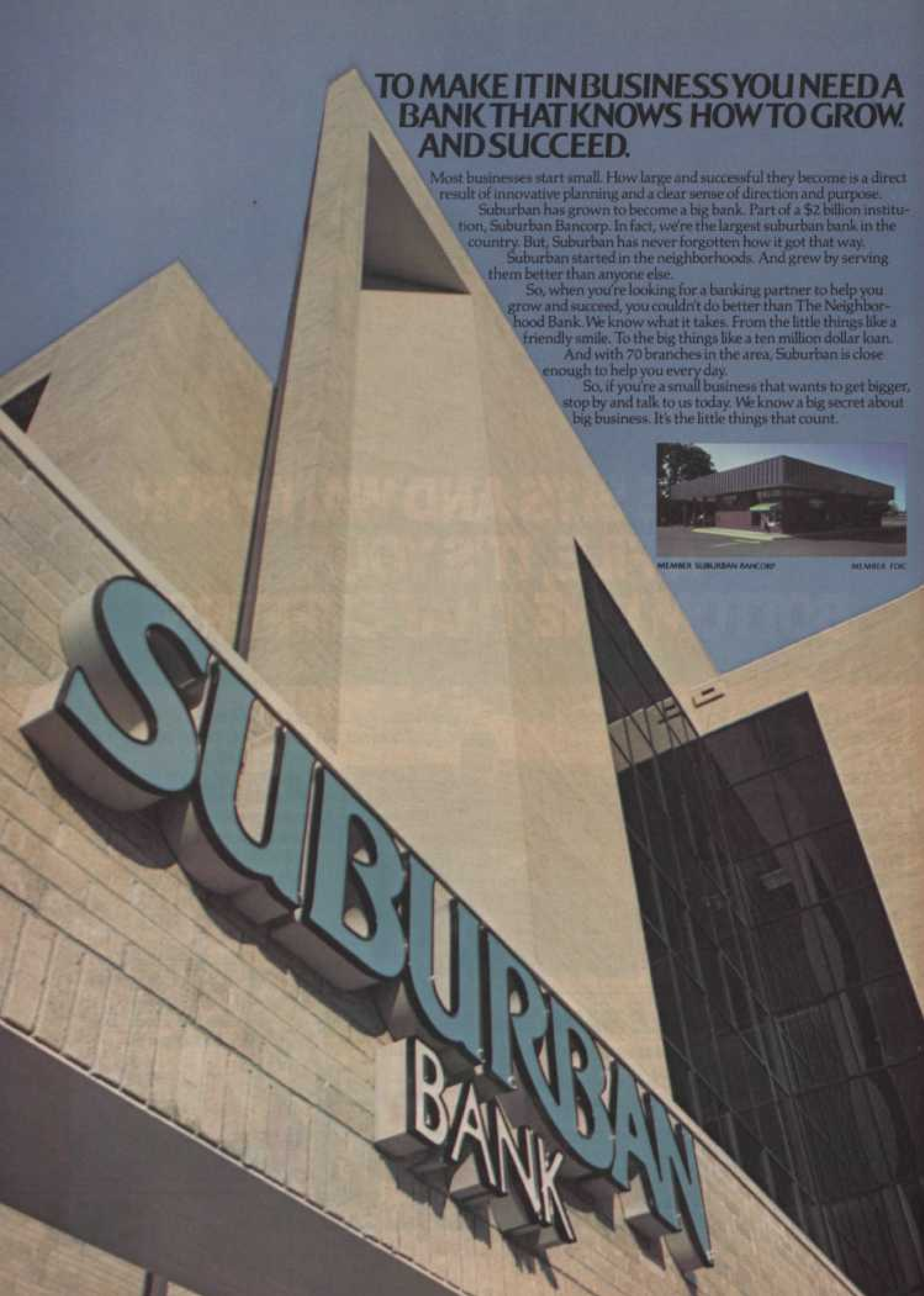
State__________ Zip__________

Send to G. Collins, File Management Systems Division, 3M Center, Building 216-2N, St. Paul, MN 55144.

MNIWA 01

3M hears you...

3M


TO MAKE IT IN BUSINESS YOU NEED A BANK THAT KNOWS HOW TO GROW. AND SUCCEED.
Most businesses start small. How large and successful they become is a direct result of innovative planning and a clear sense of direction and purpose.
Suburban has grown to become a big bank. Part of a $2 billion institution, Suburban Bancorp. In fact, we're the largest suburban bank in the country. But, Suburban has never forgotten how it got that way.
Suburban started in the neighborhoods. And grew by serving them better than anyone else.
So, when you're looking for a banking partner to help you grow and succeed, you couldn't do better than The Neighborhood Bank. We know what it takes. From the little things like a friendly smile. To the big things like a ten million dollar loan.
And with 70 branches in the area, Suburban is close enough to help you every day.
So, if you're a small business that wants to get bigger, stop by and talk to us today. We know a big secret about big business. It's the little things that count.
MEMBER SUBURBAN BANCORP
MEMBER FDIC
SUBURBAN
BANK

All the difference in the world.

Imagine checking into a five-star resort hotel and waking every morning with a new and magnificent paradise outside your window. That's a Princess Cruise.

Come away with us to places where summer never ends. Where warm seas and lazy days are a way of life. Come to the sun on a Princess Cruise.

From the moment you step aboard, you'll feel our special warmth. A cheery good morning from your room steward. A chat with one of our congenial British Officers about far-away places. Or just sharing the day's events with your fellow passengers. You'll always feel comfortable and relaxed.

Come let us bring you tropical days and nights filled with extraordinary dining orchestrated by European master chefs. Served by the kind of charming Italian waiters who won't be happy unless you are.

Let us entertain you. Every night! Lavish musical productions. Comedy. Magic. And orchestras so you can dance the night away.

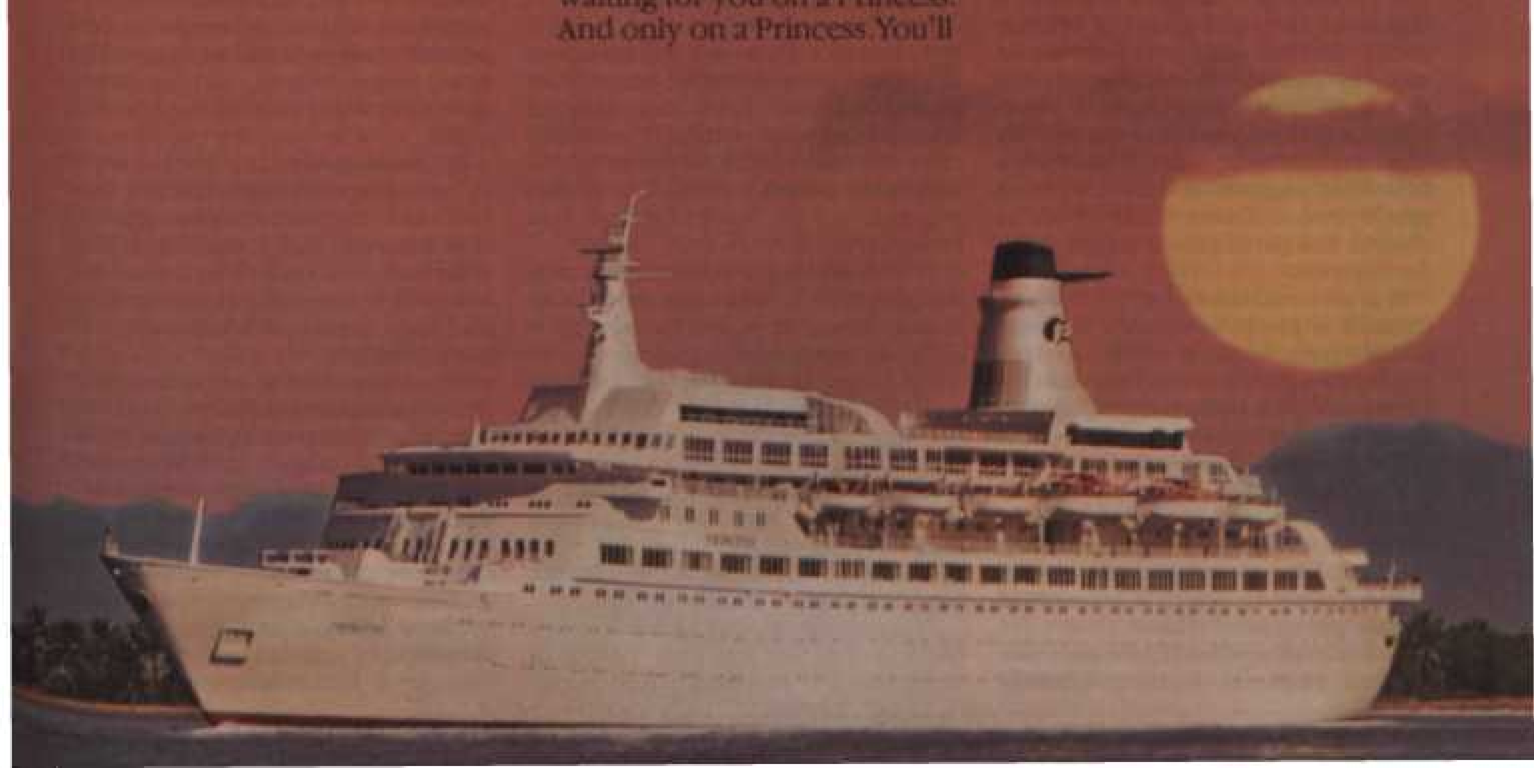
You'll be cruising to some of the most interesting ports of call in the world. Our exclusive Princess Discovery Program* has been designed so that you can learn more about the cultures, history and attractions of the countries and ports you'll visit. Discover fascinating details behind the creation of the Panama Canal. Surprising insights about Mexico. And the rich history of the Caribbean Islands. You'll return home enriched with extraordinary new knowledge.

There is so much more waiting for you on a Princess. And only on a Princess. You'll wonder why you waited so long.

So come. Call a travel agent today. Ask to see our colorful 1983 Cruiseguide. Or write Princess Cruises, Dept. NBW33, 2029 Century Park East, Los Angeles, CA 90067.

PRINCESS CRUISES

MEXICO • TRANSCANAL • CARIBBEAN
ALASKA • SOUTH PACIFIC



Want To Be A Government Insider?

White House Fellows spend a year getting to know the real Washington. They benefit. Business benefits. And so does the government.

By Tony Velocci

Businessman Clayton Christensen is acquiring "fantastic" work experience in Washington.

UNTIL LAST SEPTEMBER, Clayton M. Christensen, 30, was project manager for the Boston Consulting Group, a prestigious firm that dispenses corporate strategy to businesses worldwide. Then he took a substantial pay cut, moved his family to the nation's capital and went to work as a special assistant to the Transportation Secretary.

"No other learning opportunity could enable me to dive headfirst into such an organizational challenge," he says. "The work experience is fantastic."

In taking that plunge, Christensen, who attended Oxford University as a Rhodes scholar, fulfilled a lifelong desire to participate in government at a high level. He joined a handful of other young professional men and women who also came to Washington, for one year, as White House Fellows.

Sometimes referred to as the nation's "premier internship," the White House fellowship program selects exceptional people from different walks of life to observe and participate in public policy development.

It is no coincidence that the 300 participants since the program's inception in 1964 have been, in effect, a cross section of America itself. They have included business executives, military officers, farmers, policemen; blacks, Hispanics, Asians, American Indians.

Though diverse in background, White House Fellows tend to be under 40. All have demonstrated a potential for leadership and are energetic quick studies who can bring an objective assessment to their government jobs.

In their assignments, Fellows are full-time employes, working typically as a special assistant to a cabinet secretary, the head of a federal agency or a senior member of the President's or Vice President's staff. They may help draft legislation, conduct high-level briefings, prepare reports, chair meetings or answer congressional inquiries.

Working at the upper echelons of the federal government, however, is only half the experience Fellows get. They also go to a series of off-the-record weekly meetings with prominent figures in both the public and the private sectors, and they travel occasionally in the United States and abroad.

EACH YEAR, Fellows agree on one or more themes around which their educational field trips and many of their meetings are planned. The 1982-83 class selected (1) the workings of the legislative branch of the federal government and (2) innovation and high technology.

"We're seeking a better understanding of why U.S. industries, even traditionally strong ones, are having such a difficult time competing internationally," explains Christensen. "If business and government leaders can't adapt, the whole country is in trouble."

In January the Fellows met with Washington lawyer Clark Clifford, a former Defense Secretary. Last month they had meetings scheduled with World Bank President A. W. Clausen and Chief Justice Warren Burger.

Program administrators believe more participation by business people is needed in the program. "That sector has been underrepresented in recent years," says James C. Roberts, director of the President's Commission on White House Fellowships.

Fourteen men and women, ranging in age from 27 to 38, comprise the 1982-83 Fellows. Five—two men and three women—are from business.

A lengthy selection process each year determines which applicants out of thousands who apply will be invited to participate. There are no special occupational categories and no basic educational requirements, but applicants must complete a detailed 15-page application.

A screening board invites the 100 or so most promising applicants to interviews at 11 regional locations. About 30 or so national finalists are picked. They, in turn, are interviewed by the commission, which recommends to the President those candidates it believes are the most qualified.

Fellows have some say in their eventual job assignments. They are asked to compile a "dream sheet"—a list of five ideal jobs. Meanwhile, their biographies are circulated among government officials who are interested in working with White House Fellows. The most important step follows: matching job openings with Fellows.

"Some officials aren't committed to the program, and that can present problems for a Fellow who works on that

Carolyn Chin says her year at the Department of Housing and Urban Development has sharpened her managerial techniques at American Telephone & Telegraph.

person's staff," says a current Fellow. "Once you've been selected for the program, you're only halfway there; being matched with the right job is just as important to achieving a meaningful fellowship."

A FELLOW is paid by his or her agency at an appropriate scale based on education and experience; Fellows do not collect their regular salaries while working for the federal government. Just under $1 million is budgeted for the fellowship program during 1982-83. Luncheons, special dinners and trips tied to the education program are paid for through contributions to the White House Fellows Foundation by former Fellows, private foundations and corporations.

The only cost to a company that has an employe designated as a White House Fellow is a willingness to relinquish that individual for a year.

Of what value is the program to business? Says Ronald J. Naples, a 1974-75 White House Fellow and now vice chairman and chief executive officer of Hunt Manufacturing Company, Philadelphia: "A Fellow alumnus will return to his job in the private sector with a much broader perspective on problem-solving and how government influences business."

Other Fellow alumni point out that the line between private and public issues is getting fuzzier all the time, and businesses can do a better job of representing their stockholders' interests by having employes who recognize where valid public policy stops and legitimate business interests begin.

Christensen, who is implementing recommendations of a presidential commission dealing with federal cost control, says there are "leverage points throughout the government that knowledgeable business people can touch to effect positive change. There is no better way for a representative of the private sector to learn where they are than by working at the highest levels of the government for a year."

For Fellows themselves, the personal rewards are commonly measured in terms of career goals. Paula H.J. Cholmondeley, 35, vice president for strategic planning and programs of Westinghouse Elevator Company, of Short Hills, N.J., says: "Being a Fellow will provide me with the experience I need to be a more effective and well-rounded general manager." Cholmondeley, a naturalized citizen who is originally from the West Indies, is a special assistant to U.S. Trade Representative William E. Brock.

Carolyn Chin, 35, who as a Fellow was a special assistant to the Secretary of Housing and Urban Development in 1978-79 and is now manager of strategic planning for American Telephone & Telegraph Company, offers a slightly different perspective: "Actually participating in the decision-making process at the upper levels of government enabled me to study how complex issues were handled, and that helped me to improve the quality of my own decision-making at AT&T."

OF COURSE, the federal government benefits from the program, too. It is nurturing citizens' interest in government, and it derives, for one year, the benefit of fresh ideas from some of the country's brightest young men and women.

"The federal government simply could not get this kind of talent without the White House fellowship program," says Drew Lewis, who recently resigned as Transportation Secretary to become chairman and chief executive officer of Warner Amex Cable Communications, Inc.

When applying, candidates must write a proposal to the President, suggesting possible solutions to a major problem; they must also write an essay on their personal ambitions.

In both cases, would-be Fellows often express ideas in terms of how to achieve a better life for all Americans. Says Lewis: "In the short term, the White House fellowship program gives the government the benefit of the best from the private sector; in the long term, the program provides these Fellows with an additional leadership experience that will help them achieve their vision for the future of the country."

Roberts, the director of the fellowship commission, says that the original idea behind the program was to enhance the quality of leadership in society.

Another "happy by-product," he notes, is that it creates a talent pool from which Presidents can select appointees. Currently, 26 former Fellows work for the federal government.

The White House fellowship program, though launched nearly 20 years ago, is still too young to be judged a success, Roberts suggests. But if the enthusiasm of current and former Fellows is an accurate gauge, the program is proving worthwhile for the nation and business alike.

Says President Reagan: "Fellows have been valuable assets to the senior officials to whom they have been assigned, and they have enriched American society and their local communities with the insights they gained during their fellowship year." □

Where To Apply

Interested in a 1983-84 White House fellowship for one of your firm's employes—or yourself?

Application forms will be available from the President's Commission on White House fellowships in late summer. The address: 712 Jackson Place, N.W., Washington, D.C. 20503. Only U.S. citizens are eligible to apply.

Secretary James G. Watt is an avid outdoorsman. Here he hunts for antelope in his native Wyoming.

Behind the Campaign Against Watt

Two studies suggest that the Interior Secretary's foes have more on their minds than his environmental policies.

ENVIRONMENTALIST GROUPS are throwing their expanding political power behind liberal causes that could undermine the nation's economic foundations, two new analyses conclude.

The studies, conducted independently, also agree that an all-out attack by environmentalist groups against Interior Secretary James G. Watt is actually aimed at Reagan administration policies designed to stimulate economic growth.

One of the analyses is in a book, *At the Eye of the Storm—James Watt and the Environmentalists,* by Ron Arnold, a former environmental activist. He writes:

"The implicit goals of environmentalism—to drastically reduce or dismantle industrial civilization and to impose a fundamentally coercive form of government on America—are real."

The second study is *The Politics of Broken Faith—Whom Do We Believe?* by Hank Cox, editor of *Washington Watch,* the monthly newsletter of the Regulatory Action Center of the U.S. Chamber of Commerce. In documenting the no-growth stance of major environmentalist groups, Cox notes a paradox:

"While the militant preservationist groups continue to carry out their political campaign against the Reagan administration and its probusiness policies, they also continue to receive millions in annual contributions from corporations and corporate-funded foundations. . . . As the environmental movement has been corrupted by an extremist element more interested in liberal politics than in protection of the environment, there has been no corresponding reduction in corporate aid."

The two published perspectives come at a time of growing controversy and uncertainty over trends in the environmental movement, which has enjoyed tremendous legislative success and public support for more than a decade.

Among the measures of that success:

- There are 28 major environmental laws on the federal statute books and thousands of such laws at the state and local level.
- More than 20 federal agencies have major responsibilities in the environmental area.
- Committees and subcommittees of Congress have been restructured or created to deal with environmental issues.
- Environmental requirements or constraints affect virtually every area of business and commercial life in the nation.

AS A RESULT of those successes, some critics say, the environmental lobby is now trying to move beyond its original goals and exercise political power in areas not directly related to those goals. The opposition of some environmental leaders to the MX missile program is cited as an example of this trend. Environmental groups say their concern over MX is related solely to its potential impact on the environment, but critics argue that those leaders are using their political clout in areas far afield from ecological issues.

Explaining his shift from environmental activist to critic, Arnold writes in his book:

"As my involvement grew deeper, it became apparent to me that the movement was concerned with more than

simply protecting environmental quality. I began to see deliberate alarmism, calculated political moves and a difficult attitude toward basic American values, such as individual liberties and private property."

Both authors view the core of the environmental movement as the province of an elitist group reluctant to share with others the fruits of its own economic progress.

Says Cox: "The preservationists are adamantly opposed to anything that smacks of construction and development, and they use trumped-up environmental issues to block action. They have virtually destroyed the nuclear power industry, fought successfully to prevent exploratory drilling for oil and gas on public lands and continue to wage war on strip mining. The only form of energy production they do not object to is probably the most dangerous—deep coal mining.

"Their indifference to the plight of unemployed blue collar workers, like their contempt for coal miners, is rooted in their own elite status. They have benefited greatly from our economic system but now, instead of wishing to extend the same opportunity to others, prefer to maintain the status quo."

PHOTOS: DAVID VALDEZ

The Democrat-controlled House Interior Committee has frequently subjected the Interior Secretary to sharp questioning on his environmental views.

Arnold agrees. The major environmentalist organizations, he says, "have remarkably few members among the poor, ethnic minorities or the goods-producing sector; the vast majority of environmentalists are middle- or upper-class, highly educated and have abundant leisure time."

HE TRACES the growth of the modern environmental movement (from 1960) to such factors as the outdoor recreation boom, media-shaped perception of pollution problems, consumerism, the counterculture that evolved in the Vietnam War protest era, an antitechnology trend and an anticivilization concept holding that "man's basic nature is thwarted by the constraints of civilized living," so the collapse of civilization might not be such a bad thing after all. Arnold also sees an antihumanity outlook at work, describing this as the view that "humans should somehow apologize for being the dominant species."

In addition to describing the evolution of today's environmental movement, Arnold recounts the career that brought Watt to his present position, where he is one of the most controversial individuals in public life.

A native of Wyoming, Watt graduated from the University of Wyoming and its law school. He first came to Washington in 1962 as an aide to Sen. Milward Simpson (R-Wyo.) after serving as a volunteer in Simpson's campaign. He had met the senator-to-be through Simpson's son, Alan, a college friend of Watt's. (Alan Simpson is now a U.S. senator from Wyoming himself and was a key ally of Watt's in the hard-fought battle that preceded Watt's confirmation as Interior Secretary in 1981.)

Watt later served as a natural resources specialist for the U.S. Chamber of Commerce, where he helped develop Chamber policies and programs on mining, public lands, energy, water and environmental pollution. That experience, combined with his congressional staff work, qualified him for his next career steps—key posts in the Interior Department and service as a member of the Federal Power Commission.

He later became head of the Mountain States Legal Foundation, established to represent the free enterprise perspective in public interest litigation, which had become increasingly dominated by antigrowth forces.

Arnold recalls an ironic twist in Watt's next move, which was into his current position. Watt volunteered to serve on President-elect Reagan's transition team on Interior Department policy, but he was rejected as too conservative. Watt was tapped for the top job at Interior only after the first choice, former Sen. Clifford P. Hansen (R-Wyo.), turned it down.

But what brought him into the massive controversy that has surrounded him from the day his appointment was announced?

Arnold's book explains:

"The most obvious answer is Watt's prodevelopment policy, his opening of federal lands to mineral leasing, his support for a strong economy in general and other views that do not sit well with the environmental leadership.

"Another dimension of this feud is also obvious: Jim Watt's conservative politics clash mightily with the liberal philosophy of most environmentalists. Watt's belief in reduced and decentralized federal power and in the private enterprise system automatically sets him at odds with the large environmentalist organizations that have spent the last 20 years lobbying successfully for stronger federal power to deal with matters of ecology. Democrats have taken up the cudgels against Watt as a campaign issue."

WATT'S OWN FORMULATION of the dispute has served as the focal point for much of the conflict between himself and many of his critics:

"The battleground is not what our critics would like you to believe it is, protecting the environment. It is over ideology, over forms of government that lead to a centralized, socialized society."

At the same time he has warned industry: "Do not mistake our programs, policies or pronouncements as signals

that the coal or another industry is free to despoil the land and pollute the environment. This administration is in the mainstream of the environmental movement, and we will be good stewards of our natural resources. Your responsibility is not only to follow rules on environmental protection but to be constantly in search of ways to do a better job of protecting the environment. . . . You must treat with care the land which serves your industry and upon which this generation and untold generations to come must depend.

"You also have an obligation to the free enterprise system. People who care about free enterprise care about the environment. People who run rough-shod over the environment in the name of free enterprise are despoiling the free enterprise system."

In his analysis, Cox of the U.S. Chamber reviews the increasing politicization of the environmental movement, as dramatized by a September, 1980, gathering at the White House.

Representatives of the Audubon Society, Wildlife Federation, Sierra Club and similar groups joined President Carter in the Rose Garden and announced their strong endorsement of him in his election fight against Ronald Reagan.

"When the environmental groups claim they oppose the Reagan administration because of its environmental policies, they conveniently forget they entered partisan politics before there was a Reagan administration and before it had any environmental policies," Cox writes.

Why the opposition to Reagan and his policies? Cox writes:

"In a sense, the hysterical rhetoric being hurled against the Reagan administration is a smoke screen diverting attention away from the tumult within the movement itself—the longstanding quarrel between the conservationists and preservationists."

CONSERVATIONISTS traditionally have advocated balanced use of land resources, whereas preservationists have fought against any incursions on unspoiled lands.

"In the early days of the environmental movement," Cox writes, "the conservationists called the shots. Today, however, the preservationists have gained the upper hand, and their concept of environmental protection is much more extreme and far-reaching.

"During the Carter administration, preservationists moved from the environmental groups into powerful government positions, imposing their single-minded will on the nation's land-use policies. Hundreds of millions of acres were placed off limits to exploration and development in a veritable frenzy of wilderness activity designed to benefit practically every type of plant and animal life except one—humans."

While noting the millions of dollars that corporations and corporate-funded foundations pour into the environmental movement, Cox cites current efforts that three recipients of business largess are making to block business-supported revisions of the Clean Air Act.

The Wilderness Society asserts, "Powerful economic interests, polluting industries and the Reagan administration are working together to dismantle the act." The Sierra Club says, "The Reagan administration and a host of big business allies are working to destroy the Clean Air Act." And the Wildlife Federation claims that the law "is in danger of being destroyed."

Against that rhetoric, Cox cites views of both business and labor that some aspects of the act hamper economic expansion and could be modified without harm to the legislation's basic goals.

He quotes Robert A. Georgine, president of the Building and Construction Trades Council of the AFL-CIO: "The problem with the Clean Air Act is not its goals and objectives. It is the law's many requirements which add little or nothing to the protection of air quality. These requirements put unnecessary obstacles in the path of new construction of industrial and energy plants."

THE ENVIRONMENTALISTS' increased militancy, Cox says, may result from past victories that leave relatively few new battles to fight. They must continue to find new targets, but sometimes the effort backfires.

For example, the National Wildlife Federation contended after a survey that "our rank-and-file members overwhelmingly rejected Secretary Watt's announced positions on 10 of 11 issues." It quickly became apparent, Cox says, "that, of the 11 policy questions in the survey, eight either did not represent Watt's position, had no relation to existing laws or dealt with subjects the Secretary had not addressed. In only two questions could Watt's real position be discerned, and on both the federation's members supported him by percentage votes of 80 to 11 and 62 to 12."

In his report of corporate funding of antibusiness activities, Cox recalls the parting words of Henry Ford II, when he resigned from the board of the Ford Foundation because of his concern over its support of liberal causes.

"I'm just suggesting to the trustees and the staff," Ford said, "that the system that makes the foundation possible is very probably worth preserving." □

PHOTOS: DENNIS BRACK—BLACK STAR

President Reagan and Brazilian President João Figueiredo exchange friendly toasts during Reagan's trip to five Latin American nations. Secretary-General Alejandro Orfila of the Organization of American States lauds Reagan's style on the trip.

Dollars, Not Censure

Latin America needs U.S. investment, but not U.S. moralizing, says a prominent diplomat.

LATIN AMERICAN COUNTRIES need an infusion of people, ideas and investment from U.S. business, but they do not need attempts from any quarter in the United States to impose moral standards on the way they conduct their affairs.

That pronouncement, from Alejandro Orfila, Secretary-General of the Organization of American States, comes at a time of increased U.S. interest in Latin America, spurred by Reagan administration policy.

Orfila says he hopes that economic cooperation between the United States and Latin America will increase and that there will be renewed efforts to achieve hemispheric solidarity.

In an interview with NATION'S BUSINESS at OAS headquarters in Washington, he said he also hopes Congress will pass President Reagan's Caribbean Basin Initiative, a package of economic assistance programs focused on Caribbean island nations and the countries of Central America.

The House approved CBI trade provisions 260 to 141 on December 17, but the Senate failed to act on them before time ran out on the lame-duck session of Congress. White House officials blame the Senate bog-down on efforts by lobbyists for organized labor. AFL-CIO President Lane Kirkland has said the CBI would take jobs away from Americans.

President Reagan made the package one of his priority issues in the new 98th Congress.

Included in the CBI are tax incentives for U.S. business investments in the Caribbean region, a 12-year period of duty-free treatment for certain products shipped from the region to the United States and $350 million in direct U.S. economic aid.

The economic aid portion of the package has gotten through both houses of Congress. The duty benefits, which Reagan says are needed to keep some troubled governments from collapsing, have become a major sticking point on Capitol Hill, however.

"I don't want to intervene in United States domestic politics," Orfila says. "It is only for you Americans to determine what you should or should not do. But I hope Congress will support the President in this."

Orfila, 57, an Argentinian in his second five-year term as Secretary-General, sees the CBI as "helping the people of the Caribbean countries to help themselves." He adds that he hopes the CBI will be "a bridge" toward a similar operation throughout South America.

Such an approach would require huge amounts of money because most South American countries are much larger than the struggling small nations of the Caribbean Basin.

BUT ORFILA BELIEVES that large-scale development in Latin America can be achieved "faster, sooner, better" through cooperation between the United States and potential partners to the south.

"A John Doe in Walla Walla, Wash., or Selma, Ala., may think you are giving something away with the CBI," Orfila says. "You are giving away nothing. What you are doing is investing in your own selves because you are attracting partners who eventually will give you markets as well as raw materials and industrialized products that maybe they can produce better than you."

Orfila believes the Reagan administration has been building steadily toward significant new relationships with Latin America. He points out that Reagan, soon after his election and before


SINCE 1912,
TO STAY IN BOSTON
IS TO STAY AT THE COPLEY PLAZA.
Our 70th Anniversary is a fine time for you to celebrate, entertain, meet or dine in the classical tradition of Boston's Grande Dame. Visit the elegant 4-star Cafe Plaza. English high tea at the Tea Court. The innovative menu of Copley's Restaurant and Bar. And the opulent Plaza Bar. All Boston's best. Call toll free 800-225-7654.
THE COPLEY PLAZA
The Grande Dame of Boston
Copley Square, Boston, Mass. 02116
Operated by Hotels of Distinction, Inc.

AFRICA'S MOST DANGEROUS ANIMAL.

She isn't fierce; she won't attack anyone. But the docile cow can have a disastrous effect on the way African people live by slowly destroying the productivity of the land on which they depend.

Unlike some wild animals, cows have to drink every day—even when there's not enough water. Their eating and herding habits cause soil erosion in low-rainfall areas. They are creating deserts where, under wild animals, lush grasses used to spring up. And this spells trouble for the fast-growing human population.

The answer may be to ranch the wild animals that are suited to the area. The African Wildlife Conservation Fund is dedicated to re-stocking downgraded low-rainfall areas with hardy wild animals like impala, eland and wildebeest. Animals which need far fewer resources than cattle to produce protein, and which do not create deserts.

We are working with local populations towards a mutual goal of re-establishing wild animals as a food resource in cattle-damaged areas. In this way we hope to see the African plains once more teem with game. Our education program is teaching Africans that wild animals can feed them until the cows come home. You can help.

African Wildlife Conservation Fund, Inc.
2419 Windy Oaks Drive, Germantown, TN 38138
800-835-2246 Extension 543

IF YOU'RE GOING TO MOVE IT

YOU HAVE TO KNOW WHERE TO STAND

Before BDM helps you move your world, we'll help you illuminate it. We'll focus on the short-range and long-range alternatives available to you, then help you choose the best one, design it, test it, and put it to work. You will know exactly where you have to stand to get where you want to be.

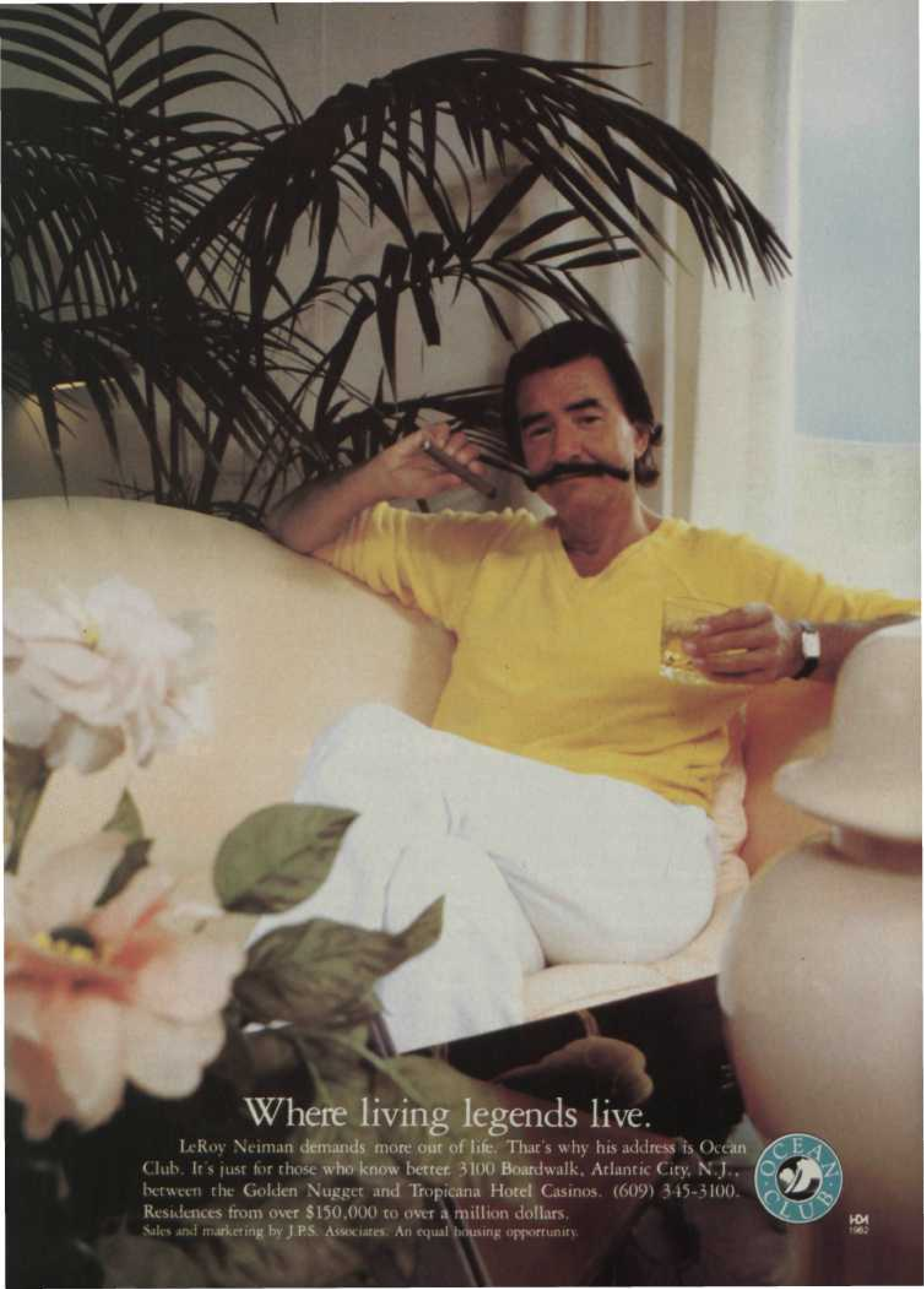
All of this is a rather fanciful way of saying that BDM performs research, analysis, design, tests, experimentation, and other advanced professional and technical services to meet the needs of government and industry. In a very direct sense, BDM is concerned with the shape of the future. Most of us are working on things that don't yet exist, systems and programs that will be very important in tomorrow's world. Yet we're equally competent at making sure today's systems and programs achieve their goals and objectives.

BDM addresses the complexities of defense strategy and tactics, energy production and management, new military systems, communications and C^{3}I, advanced technology (from lasers to microelectronics), transportation and logistics, and a variety of other areas, helping our global clients overcome a world of problems. We can help you move your world in the right direction. May we tell you how? Write: BDM International, Inc., 7915 Jones Branch Drive, McLean, Virginia 22102. Phone (703) 821-5000. Telex 901103.

MANAGING THE COURSE OF CHANGE

BDM

CHANGING THE COURSE OF MANAGEMENT


Where living legends live.
LeRoy Neiman demands more out of life. That's why his address is Ocean Club. It's just for those who know better. 3100 Boardwalk, Atlantic City, N.J., between the Golden Nugget and Tropicana Hotel Casinos. (609) 345-3100. Residences from over $150,000 to over a million dollars.
Sales and marketing by J.P.S. Associates. An equal housing opportunity.
OCEAN CLUB

taking office, visited Mexico's then President José Lopez Portillo.

The first foreign head of state to visit Reagan in the White House was the Prime Minister of Jamaica, a pivotal Caribbean nation where unemployment and political unrest have been notably high.

Orfila praises the U.S. President's trip to five Latin American countries late last year and the style with which Reagan handled himself during the trip. A good sequel, he says, would be a general meeting of the heads of Western Hemisphere nations, including Reagan. The goal would be to "come up with a policy for integral regional development."

It would be the first inter-American summit conference since Lyndon Johnson met with his counterpart heads of state at Punta del Este, Uruguay, in 1967. The only other such conference was held in Panama in 1956, near the end of Dwight Eisenhower's first administration. Establishment of the Inter-American Development Bank was a result.

The idea for a summit did not start with Orfila. The Presidents of Venezuela, Uruguay and Colombia called for a meeting of leaders of the countries of the Americas, and their call was endorsed last November by the OAS. But it is Orfila who now is carrying the ball.

Most of his efforts so far, he says, have been with foreign ministries, including the State Department, because an agenda would have to be planned before the heads of the countries from Canada to Argentina could agree on attending a summit. A State Department spokesman says it is too early for a response to the summit proposal. The proposal must "reach more of an official stage," the spokesman says.

Orfila is critical of those U.S. citizens who "just take everything for granted and remember Latin America only when they need it." Says he: "Put it a different way—I would like to see action instead of reaction. We react to a disaster, to a war, to guerrillas, to a revolution. Instead of doing that, let's react in advance in order to avoid a particular problem.

"A lot of social problems—terrorism, guerrillas, revolution—could have been avoided if all of us—all of us—had paid more attention to the circumstances that were developing through the years."

Orfila emphasizes that he is against terrorism and governmental infringements on human rights in Latin America, but "I am convinced that these infringements are the exceptions, not the norm. They are circumstantial; they are at a particular time in our history."

He adds that such problems must be solved by the countries involved. "We cannot have policies imposed from abroad," he says. "We Argentines have to come up with the answer to the Argentine problems, and the Salvadorans to the Salvadoran problems. Anything that is imposed from abroad is used by extremists at one end or the other of the political spectrum to say, 'I told you so. They are doing it. Not us.'"

Does Orfila foresee a lessening in years to come of the threat of terrorism or kidnappings to U.S. business people in Latin America?

"That will depend a great deal on us," he replies. "We have to create conditions that will not give the least justification to anybody to use these methods to push changes. In my opinion, foreigners who come to our countries to invest, to develop, to live with us are more than welcome—as long as they respect our laws and become one with us, living in the same conditions and circumstances that we live in.

"People who come pretending to have better things than we have, or imposing on us things that we don't want, are not welcome. But what country has developed without the help of foreigners? Who developed the United States? Where did the first technology and the first capital come from?"

Alejandro Orfila: "It is only for you Americans to determine what you should do . . . but I hope Congress will support the President."

"We don't want . . . people who feel they have more rights than we do . . . foreigners who live in a compound."

ALTHOUGH PEOPLE, ideas and money from abroad are needed in Latin America, he says, "what we don't want is what used to happen—people coming who feel they have more rights than we do. We don't want foreigners who live in a compound."

Orfila says one Latin American country, Cuba, would not fit in any hemispheric summit meeting. Under Fidel Castro's Communist dictatorship, Orfila indicates, Cuba is out of the picture as a potential member of the OAS, too.

He questions whether Cuba philosophically is an American country. During the late 1970s, he says, Cuba was "getting closer not only to the United States but to Latin America as a whole. I saw it coming. Then I saw it ebbing away when interventions by the Cubans took place in different parts of the world. Nonintervention is an essential policy."

Orfila, who was educated at Stanford and Tulane universities, was a teenager in Mendoza, Argentina, when Franklin Roosevelt championed nonintervention through the Good Neighbor Policy.

His admiration for FDR was born then and has not diminished.

In 1946, a year after Roosevelt's death, Orfila entered his country's foreign service. A year after that he was posted to the Soviet Union, where he heard FDR criticized for the first time—not by Russians but by U.S. Embassy employes.

I couldn't believe it," Orfila recalls. "To me, FDR was a man beyond criticism.

"To me, Franklin Roosevelt was the Good Neighbor Policy. He had stood for the principle of nonintervention and the interests of Latin America as a whole, and listening to those Americans criticize FDR had a terrific impact on me."

Of the administrations that have followed Roosevelt's, Orfila says, none "has given so much importance to Latin America, with the possible exception of the Kennedy administration and its beginning of the Alliance for Progress."

But he says he is hopeful that Reagan administration initiatives in the 1980s will create new understanding throughout the Americas. □

—Seth Kantor

Special Report

So Far And Yet So Near

An exploding technology is giving business a dazzling array of new communications tools.

By Bob Gatty

PHOTOS: DAVID VALDEZ

THE HOTEL MEETING ROOM was nearly dark. Only soft wall lights and the glow of a huge screen illuminated the 200 men and women as they listened intently and scribbled notes.

A respected professor from one of America's leading medical schools was providing important information about the treatment of heart disease.

This meeting room was in Washington. But the same event was taking place simultaneously in 20 other locations, from Boston to Chicago to New Orleans to Los Angeles.

E.R. Squibb & Sons, Inc., of Princeton, N.J., was using a coast-to-coast teleconference to inform the medical profession that the Food and Drug Administration had just approved the Squibb drug captopril, recognized as effective in treating hypertension, for treatment of congestive heart failure. The signal was originating from a studio at WNET-TV in New York City.

It was a sales mission for the pharmaceutical firm. At the same time, it was an opportunity for attendees to learn and to obtain continuing education credit for participating. In fact, the program was funded by Squibb but developed and offered by the postgraduate school of medicine at Mount Sinai Hospital in New York City. Physicians must take specific units of continuing education courses to retain their professional accreditation.

A panel of experts presented case histories, complete with film clips and charts to bring the facts to life.

"Are there any questions from the satellite?" the moderator asked, and participants in cities across the nation asked questions by telephone.

Teleconferences are one of many developments revolutionizing the way businesses communicate. Among the others: specialized cable and satellite-to-home television receivers for direct consumer marketing, Dick Tracy-style mobile telephones, business communications systems that use phone lines to transmit both voice and printed data and even keep track of your bill.

What this revolution means for business is more efficiency, better use of resources, a chance to take advantage of new methods of marketing and much, much more.

In Washington, Dr. M.H. Onder, a Falls Church, Va., specialist in internal medicine, said he appreciated the chance to learn about Squibb's drug and its new application for congestive heart failure. The teleconference is a fast, efficient and interesting way to learn, he said, "better than a lecture."

Squibb was pleased with the results, too. The teleconference reached 5,200 physicians at the 20 locations. Another 2,800 saw it through the American Hospital Television Network, which fed it into 240 hospitals across the country.

Teleconferencing was also used recently by the Johnson & Johnson Company to help Tylenol capsules recover from the tampering disaster.

The company's chairman, James Burke, held a nationwide news conference to explain plans for a new safety-sealed package. Reporters from several cities across the nation questioned Burke and other Johnson & Johnson officials.

Besides allowing firms to reach nationwide audiences, teleconferencing offers business opportunities for companies that can make such services possible. Quantum Science Corporation, of New York City, estimates that the number of business meetings held this way will increase from 89,400 in 1981 to 1.8 million in 1986, creating a $580 million market for suppliers of equipment and transmission services.

BUSINESSES that will benefit include hotels, of course. Holiday Inns began a televised conference service in 1980, aiming it at large groups. Other hotels have installed receiving "dishes" so that they can host such events.

Inter-Continental Hotels and Comsat General Corporation recently announced a joint venture to provide the first international teleconference service, known as Intelmet. Designed for small executive conferences and adaptable for larger ones, the initial installation was a two-way system between New York and London. The system enables business people to hold meetings with two-way audio, video and document display and printout capabilities.

"Once executives experience the ease with which business meetings can be conducted via satellite video conferencing, the impact of this capability on international business communications will be dramatic," says Joseph P. Smyth, Inter-Continental Hotels' senior vice president for marketing.

elevision now reaches farther, faster, han ever before. At "dish farms" like his one in Virginia, receiving dishes ick up TV signals sent via satellite. he signals are then sent on over land, sing microwave relays.

For outgoing signals—including U.S. Chamber of Commerce BizNet programs—the procedure is reversed. The signal arrives at the "dish farm" by microwave and is "remodulated" so that a dish can beam it up to a satellite.

The system uses communications links obtained from British Telecom, AT&T Long Lines and Satellite Business Systems, of McLean, Va., along with International Telecommunications Satellite Organizations (Intelstat) satellites. Intercontinental's 100 hotels in 50 countries are potential teleconferencing centers and will be evaluated for future installations.

According to Richard Bodman, president of Comsat General, prices for use of the system will vary according to facilities involved. But a typical meeting would run between $1,500 and $2,000 per hour, he says.

A spectacular use of teleconferencing came last year when President Reagan went across the street from the White House to the U.S. Chamber of Commerce BizNet studios to address business people nationwide and answer their questions.

In fact, the President used BizNet's facilities three times—once to discuss his job training program with business people and twice for events sponsored by the Republican National Committee. And, according to Robert L. Adams, director of the Chamber's broadcast division, another Reagan teleconference using BizNet is in the planning stages.

BizNet's studio and transmission facilities make it possible for a business or trade association to reach its target-

ed audience in specific locations across America. The U.S. Chamber is contracting with state and local chambers, hotels, motels and other businesses with appropriate facilities to make them part of the BizNet network so they can host teleconferences, Adams explains.

BizNet now has a dozen locations in operation, with 25 others committed. Special networks can be set up through BizNet's computerized, fully addressable scrambling system. The cost of using the service varies, Adams says, depending on the complexity of the production and number of locations involved. Overall, he says, the costs are reasonable because of the "one-stop" nature of BizNet—everything needed for teleconferencing is handled through a single source.

IN DECEMBER, an agreement in principle was reached between American Telephone and Telegraph and Headquarters Companies, Inc., of San Francisco, which will provide AT&T Picturephone meeting services in HQ's national network of business centers.

To be marketed by AT&T's new subsidiary, American Bell, the arrangement will allow companies or organizations to hold teleconferences with employes and clients, who will receive the transmissions in HQ centers.

The Headquarters Companies is a national network of business centers providing companies with administrative, communications and data base services.

"We anticipate that the communications and information industries, in which teleconferencing will play a major role, will become a multibillion-dollar business of closely interrelated technologies by 1990," says Michael D. London, HQ president. "We believe the marketplace is ready to realize the enormous benefits that can be derived from using video conferencing as an integral, everyday part of business."

Peter Shure, editor and co-publisher of *Meeting News*, a trade publication that serves meeting and convention planners, predicts that the major impact of teleconferencing will be on small meetings rather than large across-the-continent affairs.

"Teleconferencing will have its biggest impact in instances where the firm has a teleconferencing room at the corporate office that's linked with one or more teleconferencing rooms at other company locations," Shure says. "Instead of guys getting on an airplane, they can walk down the hall and have a face-to-face meeting with their counterparts across the country."

By using satellites, businesses can do much more than hold video conferences.

Satellite Business Systems, with 65 earth stations and two satellites, has received Federal Communications Commission approval to develop Digital Electronic Message Services, which will permit customers to send data via satellite, besides providing voice and teleconferencing communications services.

National Public Radio has launched a joint venture with Mobile Communications Corporation of America, of Jackson, Miss., that uses NPR's satellite path and NPR's 200 member stations in a nationwide paging service. Systems

PHOTO: ANDREW SACKS—BLACK STAR

Two-way cable TV has already been tried in Columbus, Ohio. Cable operators are building two-way capability into systems in other cities, with an eye toward attracting business customers.

IF YOU THINK THOSE CUS
ABOUT YOUR PHONES AR
STEP OUTSIDE AND T

Your customers could have a legitimate gripe. Maybe your small business has outgrown your phones. In fact, maybe your phones are holding you back.

Now AIS/American Bell has designed a phone system to help you be more efficient, more productive, more professional with your customers. It's called the Com Key*416 telephone system. It could be just what you need. And you can order it in minutes, simply by dialing 1 800 AIS-1212 toll free.

The Com Key 416 system is exactly the right equipment for a business like yours, with 1 to 4 lines and 2 to 16 phones.

This little wizard can solve a lot of business problems that slow you down, spin your wheels, drive you up the wall.

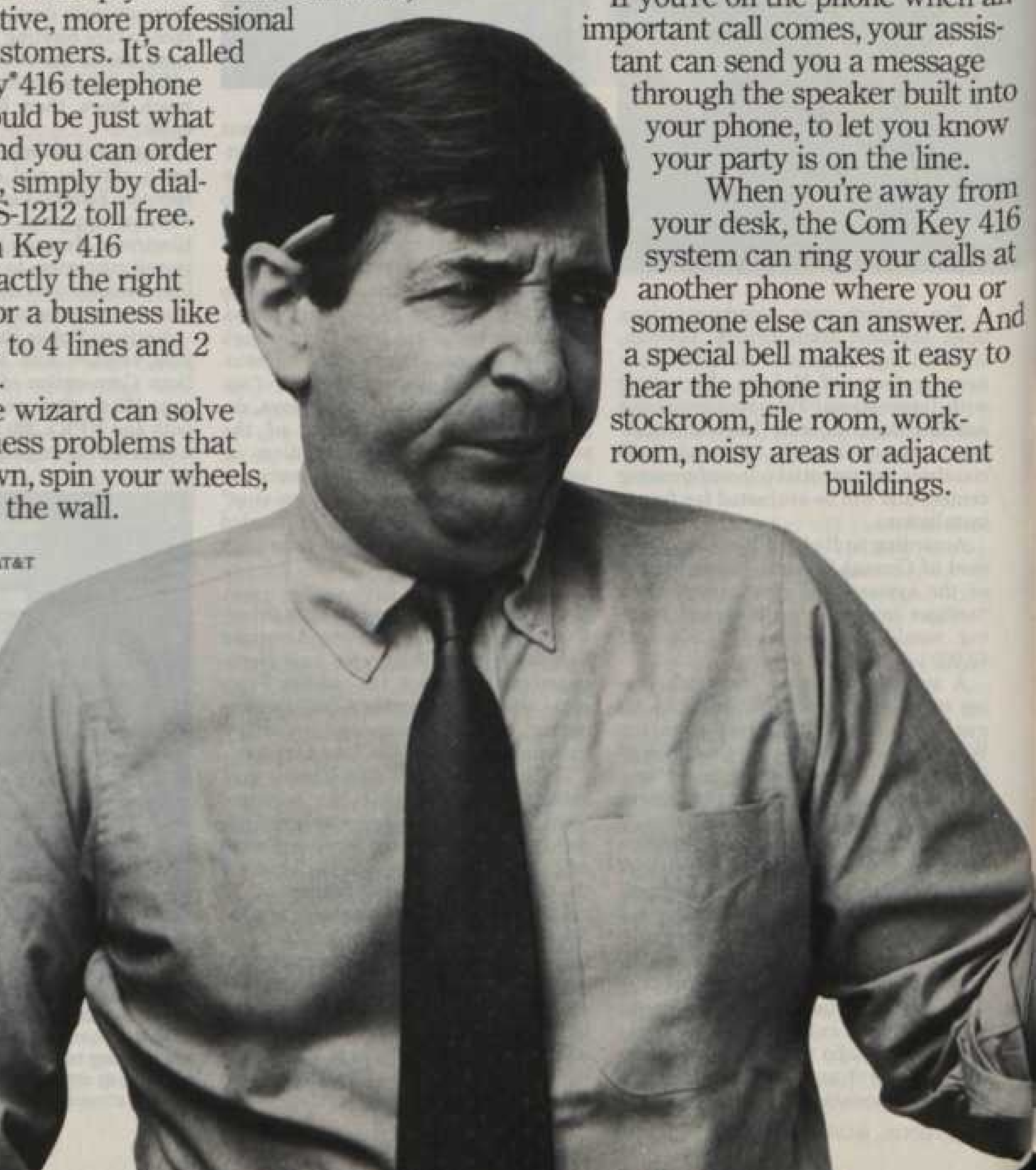
*Registered trademark of AT&T

NO MORE MISSED PHONE CALLS.

When you or your people are away from your desks, when you're busy and can't get to the phone, you still won't miss a call with the Com Key 416 system.

If you're on the phone when an important call comes, your assistant can send you a message through the speaker built into your phone, to let you know your party is on the line.

When you're away from your desk, the Com Key 416 system can ring your calls at another phone where you or someone else can answer. And a special bell makes it easy to hear the phone ring in the stockroom, file room, workroom, noisy areas or adjacent buildings.



TOMERS WHO COMPLAIN E CRANKS OR GROUCHES, RY TO CALL YOURSELF.

NO MORE MISINFORMATION.

Sometimes, even the clearest instructions get diluted or changed as they're passed from person to person. With the Com Key 416 system, your customers can get their information firsthand. You can set up conference calls with customers or vendors quickly and easily. You can even amplify the call through the built-in loudspeaker, so everyone in the room can hear what's being said.

NO MORE MISSING PERSONS.

Never again will you have to drop your work to track somebody down. Your built-in speaker makes it easy to locate anyone on the premises without wasting time.

BUY YOUR OWN BASIC COM KEY 416 SYSTEM FOR AS LITTLE AS $1,245.*

If your present phone system costs you missed business, wasted time, unnecessary charges, then it's costing you more than it's worth.

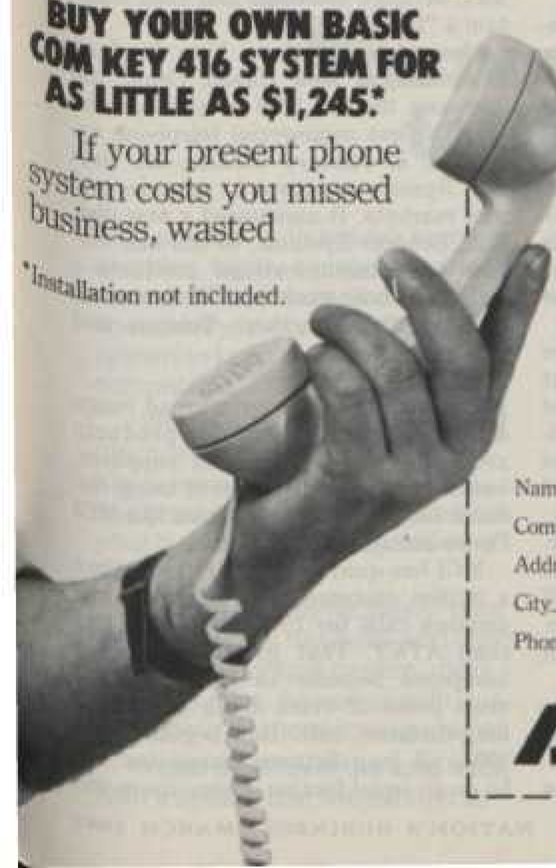
Can you afford *not* to buy a Com Key 416 system? A system that's backed by Bell Labs technology and Western Electric reliability.

Call our National Sales Center. Our small-business specialists are standing by to give you all the information you need to make an intelligent cost comparison, at no obligation.

You can even call us direct to buy your Com Key 416 system right now.

The Com Key 416 system is a miracle worker. Just watch how it can turn grouchy customers into repeat customers.

*Installation not included.



CALL: 1 800 AIS-1212

Extension 894

Fill out this coupon and mail it to:
AIS/American Bell, P.O. Box 50, Brentwood, TN 37027
or call toll-free 1 800 AIS-1212 Ext. 894

☐ Yes, I want to learn more about the Com Key 416 system for my business. Please send me my free kit: "HOW TO MAKE PHONES WORK HARDER FOR YOUR SMALL GROWING BUSINESS."

☐ Please call me immediately

☐ The best time to call me ______AM ______PM

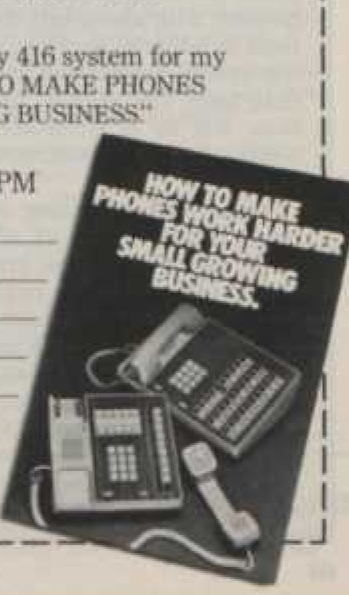
Name________________

Company________________

Address________________

City____________ State________ Zip________

Phone No. (   )________________
area code



AIS American Bell
Advanced Information Systems

are now being established that will allow an individual to receive a message via minipage terminals across a city or across the country. NPR has also established INC (Information Network Company) Telecommunications in partnership with National Information Utilities Corporation to provide a nationwide text transmission service using portions of the FM band.

Among the services NPR hopes to provide are electronic mail, financial services, news and training programs.

Meanwhile, cable television is doing much more today than simply providing good TV signals in remote areas. Cable TV, especially since the court decision that resulted in the breakup of AT&T, is making a major move to increase the business services it provides.

Such firms as Warner Amex Cable Communications, American Television & Communications and Group W Cable are pitching potential business customers to use their systems to connect headquarters with branches and to transmit voices, pictures and computer data over their lines instead of the telephone company's. They say they can do it cheaper—and faster.

PHOTOS: SQUIBB

E.R. Squibb & Sons held a nationwide teleconference to let thousands of doctors know that one of its drugs had been approved for the treatment of heart disease.

The coaxial cable used in connecting homes for television can transmit 130,000 times more information at 100 times the rate of conventional copper telephone lines. In fact, analysts predict that by 1990 cable TV's share of the business telecommunications market could well reach $11 billion.

WARNER AMEX is building business capabilities into its cable TV system in Pittsburgh and will add similar services in St. Louis, Chicago, Cincinnati, Houston and Dallas. Cablevision, in Boston, is installing a 23-mile loop to carry voice, data, text and video. It will be usable for electronic mail, for linking automatic teller machines at branch banks to headquarters and as a credit checking service for retailers.

Manhattan Cable TV, a subsidiary of Time, Inc., has added 20 miles of cable to its original wiring in New York City. Manhattan Cable's clients include some of the nation's largest and most prestigious firms, and the company has set its sights on some smaller firms as well.

According to company officials, Manhattan Cable guarantees a fixed rate for up to three years at prices significantly lower than those offered by the telephone company.

Thomas E. Wheeler, president of the National Cable Television Association, says that cable TV's two-way capability—allowing consumers to deal with banks, retailers and other businesses through their TV sets—offers a major advantage for his industry.

AT&T isn't standing still waiting for competitors to take away important revenue. American Bell has introduced its advanced information systems division, which offers data processing and connections between different types of computers.

According to William Buehler, American Bell's national director of general business systems, the new division will help small businesses find cost-effective ways to boost productivity through telecommunications technology.

American Bell was formed in response to the Federal Communications Commission's Computer Inquiry II decision that required AT&T to create a fully separated subsidiary to offer such equipment and services.

In January, American Bell announced its new System 85, which offers voice, high-speed data, sensor-based energy and security management, sophisticated office applications and networking capabilities.

The system allows the office worker to prepare, store, send, receive and manage documents electronically. It can create forms, track personal schedules, arrange meetings and even maintain a "tickler" file.

Meanwhile, Southern New England Telephone, of New Haven, Conn., the company that in 1878 established the world's first commercial telephone exchange, in January became the first Bell System company to venture into new markets. It announced a new division, Sonecor Systems, to sell and service telecommunications products—including those made by TIE Communications, Mitel, Northern Telecom and Western Electric.

IN ADDITION to having a broad range of telecommunications products available from a myriad of suppliers, businesses have the option of using discount long-distance companies like MCI Communications or Sprint.

MCI has quickly grown to more than a million customers by offering long-distance calls for 15 to 50 percent less than AT&T. That growth has been hampered because an MCI customer must press 12 extra digits to make a long-distance call. But beginning in 1984, all long-distance companies will be on an equal footing. Phone users will

Video Publishing

The development of new video text services by several major publishing companies as well as by some computer manufacturers will open thousands of new jobs by the end of the decade, according to one analysis. Such services are now beginning to be available to the owners of micro and home computers.

Arlen Communications Inc., of Bethesda, Md., estimates that some 5,000 jobs, mostly in electronic publishing offices, will be created, with about half the positions in editorial services, including writers, artists and data-base designers. The rest of the positions will be in advertising and technical and administrative support.

"Electronic publishing will demand a new breed of editorial skill," says Gary Arlen, president of the research and publishing firm. "Video text journalists will have to be at ease with computers, electronic graphics and data bases. They also must design services for a new type of viewer/reader who is just learning how to use interactive electronic information services."


RCA

inform the local phone company which long-distance company they wish to use regularly, and their calls will automatically be routed over that network.

MCI is now in the pocket pager business and is planning to move into other communications services, including cellular radio, and to improve its data transmission capabilities.

If your office is located in a major complex, you may be able to obtain your own long-distance system at even less cost than through the discounters.

Electronic Office Centers of America has launched a time-sharing program that allows tenants in an office complex to subscribe to such a long-distance service. They also may take advantage of data processing and other computer services without capital outlay for hardware and development of programs. The firm has established such a system in Chicago's Apparel Center and the neighboring Merchandise Mart.

Electronic Office is taking its program nationwide. It is another business idea made possible by new technology and at the same time, perhaps, another opportunity for some companies to save money and improve efficiency. □

Mobile Telephones: Beginning of a Boom

IT WON'T BE LONG before owning your own mobile telephone will be easier and no doubt less expensive than it is today.

The key is a recent Federal Communications Commission decision that will allow 666 new cellular radio channels per market, compared with the current limit of 21.

That decision will open the door to 3 million car phones by 1990, to portable phones that can be plugged into both a car and a wall socket and to systems that will transfer a call from one cell to the next without disruption as you travel, thus providing better connections.

Rather than having to rely on a single powerful transmitter to connect callers with regular phone lines, a cellular radio system employs low-power transmitters, each of which serves a limited area, or cell. The limited range of each transmitter allows the same frequency to be used simultaneously in different cells.

Such a system will make a thing of the past the long waiting times for mobile phones—in some markets, as long as seven years—although cellular systems are not expected to be operational before late 1983 or 1984.

Companies like AT&T, Western Union, MCI Communications and Metromedia are racing to establish a foothold in what analysts are saying could be a $3 billion to $6 billion per year market by the end of the decade. At the same time, tiny businesses organized to take advantage of the new opportunity also have applied.

Initially, the FCC accepted applications last June for two licenses in each of 30 major U.S. metropolitan areas designated for the first service—one license to a telephone common carrier and the other to a company that does not transmit over telephone lines. About 200 applications were received.

The cellular system will allow thousands of persons to use their mobile or portable phones at the same time. Each city equipped for cellular calling will be divided into a group of cells, each with its own transmitter/receiver and computer controller.

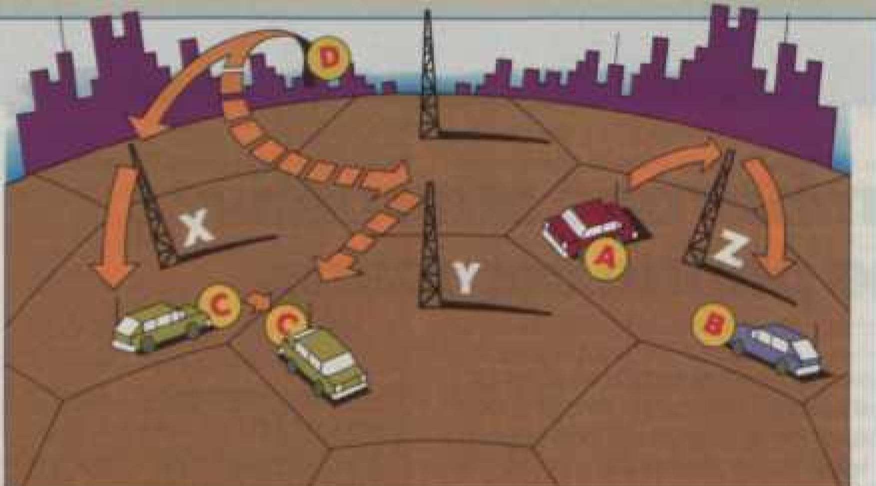
Each cell's computer will automatically assign an incoming caller a radio channel, making certain that only clear channels are used.

"Cellular promises to revolutionize personal communications with advanced, lightweight, spectrally efficient car and portable telephones," says Thomas Lamoureux, executive director of Telocator Network of America, whose member companies have applied for approval. Telocator Network is a national trade association representing 325 radio common carriers—licensed independent radio paging and mobile phone companies that now provide more than two thirds of all mobile communications to the public.

With all of the applications being filed, a company was formed in Washington to help design cellular radio telephone systems and prepare FCC applications for them.

Metropolitan Radio Telephone Systems, in its promotional material, points out that its "applications are meticulously prepared and are based on the recognition that most applicants mishandle their submissions."

MRTS, the material says, makes sure that won't happen. □



How Cellular Radio Works

A city is divided into hexagonal cells, each covered by its own low-powered transmitter. The transmitters are connected by telephone lines. Computers at each transmitter automatically assign incoming calls to radio channels, making sure—to avoid interference—that the same channel is not being used in two adjacent cells. That way, car C in cell X can talk to caller D on the same channel that cars A and B are using to talk to each other in cell Z. As car C moves into cell Y, the computer hands off control to the transmitter in that cell. Because cell Y is next to cell Z, where cars A and B are still talking, the computer also shifts car C's call to a different channel than the one cars A and B are using. All of this takes place without interrupting any of the ongoing conversations.

A Service For Our Readers

Nation's Business ESP

EXECUTIVE SERVICES AND PRODUCTS

The companies listed below offer valuable information on the latest Executive Services and Products, and NATION'S BUSINESS ESP Service is the fastest and easiest way to receive it. In addition, the U.S. Chamber of Commerce offers top-flight programs and management aids on a variety of important business topics. Select the material you find useful, circle the corresponding number on the facing postage-paid card or adjacent coupons, and let our ESP service do the rest. The best of tomorrow is available TODAY!

Services and Products

1. ADP
2. Boorum & Pease
3. Canon Copiers
4. Cardinal Cap & Jacket Company
5. Dale Carnegie
6. Chevrolet
7. Jack Daniel Distillery
8. Detroit Diesel Allison
9. Dictaphone Corporation
10. Ford-Trucks
11. IBM Corporation
12. IVECO
13. E. F. Johnson Company
14. Kelly Services
15. Kentucky Department of Commerce
16. Lathem Time Recorders
17. Los Angeles County Health Services
18. Marriott Corporation
19. PMA Insurance Company
20. Pennystock Journal
21. Port of Mobile
22. Princess Cruises
23. RCA Service Company
24. R.J. Reynolds Tobacco
25. Security Pacific Finance Corporation
26. Southern California Edison
27. Victor Systems

U.S. Chamber Programs

31. **Pre and Post Testing**
A step-by-step manual on determining public attitudes.
32. **Explaining Your Business**
A set of five publications on Annual Reports; Audiovisuals and the Media; Letters and Publications; Meetings; and Plant Tours.
33. **Contact**
A directory of business and economic education programs.
34. **Social Security**
A set of three payroll stuffers on the Social Security program.
35. **Social Security**
A 15-minute slide-cassette presentation on the future of Social Security.
36. **The Right Direction**
A 30-minute, 16mm motion picture on what America is doing right.
37. **Dollars! Dollars! Dollars!**
An 18-minute video tape program on the congressional budget process.
38. **American Enterprise System**
A series of 16mm motion pictures and 35mm slide programs.
39. **Supply-Side Economics**
A 35mm slide presentation on what it is and what it will do for you.
40. **Strategy for the 1980s**
Model programs on business and economic education.
41. **Empresa**
A Spanish-language program on what private enterprise is all about.
42. **Economics for Young Americans**
A complete easy-to-understand program for secondary and junior college students on the basics of economics.
43. **BEE**
A manual on how to build public confidence in business and business leaders.

Mail To: Nation's Business
P.O. Box 1200
Washington, D.C. 20013
Attn: Claudine Hollomon

Use these additional coupons if postage-paid card is removed.

Nation's Business ESP EXECUTIVE SERVICES AND PRODUCTS — March 1983

Name ____ Title ____
Company ____
Address ____
City ____ State ____ Zip ____
Phone ____

Services and Products
1 2 3 4 5 6 7 8 9 10
11 12 13 14 15 16 17 18 19 20
21 22 23 24 25 26 27 28 29 30

Chamber Programs
31 32 33 34 35 36 37 38 39 40
41 42 43 44 45

PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

1) Type of Firm: ☐ Manufacturing (1) ☐ Construction (2) ☐ Finance (3) ☐ Insurance (4) ☐ Retail Wholesale (5) ☐ Service (6) ☐ Real Estate (7) ☐ Mining Agr. (8) ☐ Other (9)

2) Title: ☐ Board Chairman (1) ☐ President (2) ☐ Owner Partner (3) ☐ Vice President (4) ☐ General Manager (5) ☐ Other (6)

3) Number of Employees: ☐ 1-25 (1) ☐ 26-99 (2) ☐ 100-999 (3) ☐ 1000-9999 (4) ☐ 10,000 + (5)

4) Reason for Inquiry: ☐ Future Project (1) ☐ Immediate Purchase (2)

This offer expires June 1, 1983

Nation's Business ESP EXECUTIVE SERVICES AND PRODUCTS — March 1983

Name ____ Title ____
Company ____
Address ____
City ____ State ____ Zip ____
Phone ____

Services and Products
1 2 3 4 5 6 7 8 9 10
11 12 13 14 15 16 17 18 19 20
21 22 23 24 25 26 27 28 29 30

Chamber Programs
31 32 33 34 35 36 37 38 39 40
41 42 43 44 45

PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

1) Type of Firm: ☐ Manufacturing (1) ☐ Construction (2) ☐ Finance (3) ☐ Insurance (4) ☐ Retail Wholesale (5) ☐ Service (6) ☐ Real Estate (7) ☐ Mining Agr. (8) ☐ Other (9)

2) Title: ☐ Board Chairman (1) ☐ President (2) ☐ Owner Partner (3) ☐ Vice President (4) ☐ General Manager (5) ☐ Other (6)

3) Number of Employees: ☐ 1-25 (1) ☐ 26-99 (2) ☐ 100-999 (3) ☐ 1000-9999 (4) ☐ 10,000 + (5)

4) Reason for Inquiry: ☐ Future Project (1) ☐ Immediate Purchase (2)

This offer expires June 1, 1983

How To Choose and Use A Trademark

Your firm may not be Xerox or IBM, but it can still have a name that everyone remembers.

By Ira N. Bachrach

A TRADEMARK is intellectual property—an asset created by the mind. You own the rights to your trademark just as an author owns the rights to his book, a composer his song or an inventor his mousetrap.

Intellectual property is just as real as Krugerrands—and can be astonishingly valuable. How much would IBM or Xerox ask for their trademarks?

The average business' trademark is not quite so valuable, but it is an asset that shares several unusual qualities with those of the giants.

A trademark never wears out. With reasonable care, your rights in a strong trademark are absolute and eternal.

Unlike many other forms of property, a trademark becomes more valuable with use.

Every advertising dollar spent and every package sold adds to the number of people who are familiar with your trademark and are thus more willing to buy something they can't examine, just because that trademark is on the box.

Your trademark is a relatively liquid asset. You can quickly and simply transfer trademark ownership and even rent out the trademark in a license agreement.

For all these reasons, marketers plant and nurture new trademarks in the rocky soil of public consciousness.

The first consideration in developing a trademark is the applicable law.

The black and white of U.S. trademark law is officially titled the Trademark Act of 1946 and commonly called the Lanham Act. The gray of trademark law is a body of interpretive decisions like *Coffee Dan's, Inc. v. Coffee Don's Charcoal Broiler.*

The Lanham Act is remarkably simple and sensible. It provides:

- A trademark is a proprietary name that identifies something. A trademark doesn't necessarily say, "This is good stuff," it merely says, "This is the same type and quality of stuff that was in the last box you bought."
- You own a trademark in the United States simply by using it. Your rights are established by active commercial use, not by registration. Registration is merely documentation of ownership—an official record that you use a particular trademark.
- You register a trademark by informing the U.S. Patent and Trademark Office that you are using it and what you are using it for. If the records indicate that nobody else is using it for the same class of goods and if nobody objects within 30 days after that office publishes it in the weekly *Trademark Official Gazette,* it's yours.
- Registration lasts as long as you actively use a trademark, but you must file an affidavit of active use in the sixth

IRA N. BACHRACH *is president of NameLab, Inc., of San Francisco, which specializes in the development and testing of trademarks.*

year of registration and renew it every 20 years. The purpose of these rules is to remove as few words as possible from our language. So when you stop using a trademark, it's automatically returned to the common lexicon.

• You can't register obscene or seditious material or generic words. The law won't let you register "apple" so that other growers have to call their fruit some other name. Nor can you register "pomme," because that's the French word for apple. You can, however, register "apple" as a trademark for something else (like a computer).

That's the black and white of U.S. trademark law. The gray part can be summarized in one sentence: You can't use a new trademark if it may cause a significant minority of the public to confuse your product with that of another company already using an existing, similar mark (registered or not).

(Remember also that although the term "trademark" is generally used to describe all proprietary names, it specifically denotes a *product* name. A service name, like Roto-Rooter, is a "service mark." The name of a business—United Airlines—is a "trade name." And the term "mark" in all of these describes a word or words, a design or a combination of both. A "brand name" is simply a trademark.)

THE MOST IMPORTANT attribute a trademark can have is the ability to sell a product. But next in importance is "strength"—inherent qualities that enhance a trademark's defensibility in law. You can roughly estimate the strength of a proposed trademark by assigning it to one of four categories:

Fanciful. The strongest trademarks are neologisms—new words coined for your use. The more meaningless ("fanciful") the new word, the stronger your ownership rights. A few well-known trademarks in this category are Atra, Ben-Gay, Exxon, Ipana, Kotex, Mylar, Nerf, Weejuns and Yuban.

Arbitrary. The next strongest trademarks are existing words that have no direct relation to the products they identify. Examples of such arbitrary trademarks are Arrow, Comet, Dawn, Eagle, Godiva, Ivory, Midas and Pert.

Suggestive. The third strongest trademarks are those that suggest some quality of the products they identify, like Accent, CareFree, DieHard, Flex, Holiday Inn, Lestoil and Rely.

Descriptive. The most vulnerable trademarks are those that frankly describe the product, like Animal Crackers, Chef's Blend, Handi-Wrap, Instant Breakfast, ReaLemon, SugarTwin and Tuna Helper. These trademarks have achieved considerable strength through widespread consumer understanding of their "secondary meaning" as names of specific products.

Secondary meaning also provides the only protection for geographic names (Kentucky Fried Chicken) and personal names (Max Factor, Orville Redenbacher) used as trademarks. Until the public provably associates a particular manufacturer's product with a particular geographic or personal name, anybody has the right to use his own similar name or location on similar goods.

There is no law that dictates rules for the proper use of trademarks. But clear and consistent use of your trademark will both strengthen its marketing value and make it easier to protect.

First, use your trademark as a modifier along with the generic name of the product—Sledgehammer Beer—prominently on the package. This practice clearly identifies your trademark as a proprietary name and ensures that the consumer looking for beer will know what is inside. Similar logic dictates that your trademark appear with the generic name at least once, early and prominently, in each advertisement and brochure.

Second, remember that your trademark is a proprietary name. In print, a proprietary name should always be identified by an initial capital letter. Omitting the initial capital or setting the trademark entirely in capitals, italics or boldface interrupts the smooth process of reading.

Finally, if your trademark is registered with the U.S. Patent and Trademark Office, append the ® to it once on each package, advertisement and brochure. If it isn't registered, use ™ for a product or ℠ for a service. If you mention another company's trademark, you must use the proper symbol and clearly credit its owner. □

Checking Your Mark

To determine whether a particular trademark or one similar to it has already been registered, a search must be made through the records of the U.S. Patent and Trademark Office, which is located in Arlington, Va., a suburb of Washington. Law firms specializing in patent and trademark work are available to make this search, and commercial services with computerized listings of trademarks will, for a fee, check any proposed new registrations against their files.

To order reprints of this article, see page 46.

Research Is on the Rise

A study says support for R&D in '83 will grow 3.5 percent in real dollars; industry again will spend the most.

After allowing for inflation, spending on research and development in the United States this year will be slightly higher than the average over the past decade. Total R&D spending is estimated at $83.6 billion, compared with $77.3 billion last year. That's an increase of 8.2 percent in current dollars and a 3.5 percent gain in real dollars.

Since 1973, the annual gain in real R&D effort has averaged 3.3 percent. The figures were reported by the Battelle Memorial Institute's Columbus division in its annual analysis of R&D spending, which covers industry, government, academic institutions and other nonprofit organizations.

Battelle reports industry will again dominate R&D activity, spending 72.5 percent of the total. The industry total of $60.7 billion compares with $10.8 billion for the federal government, $9.7 billion for academic institutions and $2.4 billion for other nonprofit organizations.

The figure for industry includes almost $20 billion in federal support. More than $39 billion in federal funds will be spent on R&D, but nearly half of that will be farmed out to industry, and one fourth will be farmed out to colleges and universities and other private institutions. The government conducts only about one fourth of its own R&D, as reflected in the $10.8 billion figure above. Industries, on the other hand, retain almost all of their own R&D funds, either performing the work themselves or contracting with other industry sources.

Battelle had these comments on various aspects of research and development:

Government activity. Four government agencies dominate the federal R&D scene and are expected to account for 91.2 percent of total federal activity this year: Defense Department, 56.6 percent; National Aeronautics and Space Administration, 14.9 percent; Energy Department, 10.4 percent; and Health and Human Services Department, 9.3 percent.

Although it appeared last year that only defense R&D was increasing, the budgets for space and general science programs also went up. Continued small-scale increases are expected in these areas, but energy R&D will decline as the government curtails its role in that area. Energy projects involving short-term or low-risk R&D will likely be financed by industry.

Industrial activity. Industrial support of research is growing in fields related to electronics, communications and advanced machinery, and in those fields most directly influenced by the need for more energy-efficient products and processes. R&D will be heavily self-funded in the manufacturing industries; on the average, only 32 percent of their total spending will be federally supported. Nonmanufacturing industries do relatively little R&D, and support for it is divided almost equally between the federal government and industry.

Total industrial support for R&D will rise 7.6 percent in 1983, to $41.4 billion—49.6 percent of total R&D funding. Federal support will rise at a slightly faster rate—8.8 percent—to $39.3 billion, or 47 percent of the total R&D expenditures for the year ahead.

Battelle sees some uncertainties in the long-term outlook.

Federal support has shifted toward less research and more development, the report says, and "if such trends continue, the long-range consequences may pose significant problems in terms of the science base upon which economic vitality grows."

Although the problem may be partially offset by continued improvement in industrial basic research, Battelle says, the volatility of indicators that influence industrial R&D budgets—sales, profits and cash flow—"precludes stability for long-term planning." □

Where Industry's R&D Money Will Come From

(1983 estimates, in millions of current dollars)

Industry Class	Federal Funds	Industry Funds	Total Funds	% Federal
Electrical machinery and communications	$ 5,266	$ 7,621	$12,887	40.9%
Aerospace	9,429	2,400	11,829	79.7
Machinery	1,508	7,546	9,054	16.7
Autos, trucks and parts, other transportation equipment	1,037	6,153	7,190	14.4
Chemicals	682	6,150	6,832	10.0
Professional and scientific instruments	221	3,213	3,434	6.4
Petroleum products	310	2,161	2,471	12.5
Fabricated metals and ordnance	76	711	787	9.7
Rubber products	269	510	779	34.5
Foods and beverages	0	723	723	0.0
Paper	0	669	669	0.0
Stone, clay and glass	20	511	531	3.8
Nonferrous metals	40	456	496	8.1
Iron and steel	6	347	353	1.7
Textile mill products and apparel	0	138	138	0.0
Other manufacturing	22	445	467	4.7
Total manufacturing	18,886	39,754	58,640	32.2
Nonmanufacturing	1,027	997	2,024	50.7
Total	19,913	40,751	60,664	32.8

Source: Battelle Memorial Institute's Columbus division.

Streamlined Justice

A new court may bring more consistency to decisions affecting business.

By Tony Mauro

A TRIBUNAL THAT some lawyers say could become the country's most important federal court for business people opened its doors last October.

You may be forgiven if you have never heard of it. The U.S. Court of Appeals for the Federal Circuit was inaugurated without fanfare. No courthouse was built for it. Not an extra penny was extracted from the taxpayers to usher it into the world.

Yet the court's 12 judges are handing out opinions that will set important precedents in the law governing patents, international trade, taxes and government contracts—areas formerly litigated in the 12 U.S. circuit courts of appeal around the country or in the old Court of Custom and Patent Appeals or the old Court of Claims.

"Just having one court to handle all these matters is very important from the business point of view," says Washington attorney Clarence Kipps, Jr. "It should bring clarity and consistency to the law in these areas."

The new court, equivalent in stature to the circuit courts of appeal and like them just one step below the Supreme Court, tiptoed into existence as a result of the Federal Courts Improvement Act of 1982.

Essentially, Congress created the court by combining and strengthening the Court of Custom and Patent Appeals and the Court of Claims. Luckily for taxpayers, the two parent courts were already housed in a courthouse on the east side of Lafayette Park, near the White House. All that was needed was a new sign out front. "The judges even kept the same chairs," says Chief Judge Howard Markey.

Perhaps the most important power given to the court was exclusive jurisdiction over patent appeals.

It used to be that when a company wanted to defend or challenge a patent, it carefully picked a court. It could choose any federal appeals court in the country. Says Donald Dunner, former president of the American Patent Law Association: "Some circuits were perceived as hospitable to the enforcement of patents, and others were viewed as hostile. You ended up with races to the courthouse so that you could have the case handled in a court favorable to your position."

Now, says Judge Markey, 62, a former jet test pilot, "we're the only game in town. We hope it will bring clarity to the law. When a businessman asks his lawyer what is the law on this, can I go ahead with this or that—well, if we do what we hope to do, we will develop a body of law that will enable the lawyer to say to his client yes or no. That's what the businessman wants, not a lot of gobbledygook."

Uncertainty in patent enforcement has often been cited as a hindrance to innovation. "It affects boardroom decisions on research and development, especially in the pharmaceutical area," notes Dunner. "Ultimately, this court may give business more confidence to innovate."

The court also has exclusive jurisdiction to hear appeals from decisions by the Court of International Trade in New York and the International Trade Commission in Washington—typically involving "dumping" of foreign goods below cost on domestic markets.

"There's no fundamental change here," says international trade expert David Busby. "The main impact we hope for from the new court is greater efficiency."

Appeals in all disputes over government contracts and taxes already paid will also be handled by the court. The old Court of Claims previously heard such appeals.

THE COURT OF CLAIMS was the place to go for trials as well as appeals on disputes involving claims against the government. When its appellate judges were assigned to the Court of Appeals for the Federal Circuit, Congress assigned the trial work to a new Claims Court. The 16 trial commissioners of the old Court of Claims became the trial judges of the new Claims Court.

"I think you will see more independence as a result" of splitting the trial and appeals functions, says Claims Court Chief Judge Alex Kozinski, 32. "It used to be that the trial commissioners were employes of the court, under the judges."

Kozinski was appointed chief judge by President Reagan after serving as counsel to the Merit System Protection Board.

The Claims Court has an important new power. It can issue injunctions and restraining orders in disputes over government contracts before the contracts are awarded. Formerly, bidders who felt they were unfairly treated had to wait in most instances until after the awards were made. "The feeling was that if you had to wait until after the contract was awarded, you lost momentum," says Kozinski. "Now you can come in for an injunction beforehand." □

Chief Judge Howard Markey hopes that the Court of Appeals for the Federal Circuit "will bring clarity to the law" governing patents, trade and other areas.

PHOTO M.C. VALADA

TONY MAURO is the Supreme Court reporter for Gannett News Service.

Should the Davis-Bacon Act Be Repealed?

Arguments for repeal: The Davis-Bacon Act, signed into law by President Herbert Hoover in 1931 and amended later, has long since outlived any usefulness it had. It fuels inflation, unnecessarily adds to government spending and shrinks the job market by forcing contractors to tighten up their hiring. This law requires contractors to pay the "prevailing" local wage—which translates into union scale—on construction projects involving federal financing or loan guarantees. It was intended to keep itinerant labor from undercutting wages, but now the law protects workers who are paid very well. One study shows repeal of Davis-Bacon would cut federal spending by $13 billion over five years. Another shows the law imposing up to $400 million in unwarranted costs on the scheduled $5.5 billion highway-bridge-transit program and reducing jobs in the program by 40,000.

Arguments against repeal: As the executive council of the AFL-CIO puts it, the Davis-Bacon Act "helps assure stability in a generally unstable industry by guaranteeing adequate wage rates for a skilled construction labor force." Also, it "protects taxpayers from shoddy work by fly-by-night contractors seeking to win government contracts by paying low wages and bringing in outside workers." The Davis-Bacon Act is not really so costly to the government, since it encourages contractors to use union labor, leading to construction that needs less repair and to reduction of waste on the job. That improvement is because union labor does better work than nonunion labor. In addition, construction workers still need to be protected against wage cutters. And attempts to repeal the Davis-Bacon Act are really a thinly disguised assault on the labor union movement in general.

Verdict: Slow the Growth Of Entitlement Programs

NATION'S BUSINESS readers responding to the "Where I Stand" question in the January issue have come down heavily on the side of a slowdown in the growth of the federal government's entitlement programs. In these programs—Social Security is the biggest—anyone eligible is entitled to benefits under automatic formulas that take no account of the total impact on government spending. Cost-of-living escalators have intensified the programs' expansion, and they now consume well over half of the federal budget. By a 14 to 1 margin, readers agree with the view that continued unchecked expansion would be ruinous to the country.

This Is Where I Stand:

Should the Davis-Bacon Act Be Repealed ?

YES ☐ **NO ☐**

Mail to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062

Name

Title

Company

City State Zip Code

PEOPLE IN BUSINESS

PHOTO: CORR'S BEVERAGE COMPANY

Harvest time for ginseng: Robert Corr digs into a pile of the profitable root.

A New Beverage's Ancient Roots

Centuries ago the Chinese exported ginseng root at seven times the price of gold. Today Robert Corr bottles it. Ginseng Rush, he calls it, the all-natural beverage.

Four and a half years ago Corr, a high school dropout and Chicago bricklayer, used his $1,200 savings to concoct a soft drink from ginseng, one of civilization's oldest restorative plants. Last year Corr's Beverage Company—he is the sole owner—grossed $3 million. Corr, 36, a health food enthusiast, now also owns two health food stores in Chicago.

He had heard about a Wisconsin company that made a ginseng beverage around the turn of the century. The company closed when the fresh water supply adjacent to the plant dried up.

Applying advice from present-day beverage makers, Corr experimented with ingredients to mix with ginseng root until he got a flavor he liked. He made 93 sample bottles and took them to a Boston trade show. He got orders for 10,000 cases.

Today Corr's company, with its 10 employes, contracts out all its bottling and sells a million 10- and 28-ounce bottles and 12-ounce cans every month.

Of Ginseng Rush, that is. Corr has added nine more all-natural flavored beverages in recent years, among them Rooty Rush and Ginger Rush.

But Ginseng Rush is the favorite, even though its fans are unable to pin down the taste. Says Corr:

"In the Midwest people compare it to root beer, on the East Coast they say it's like cream soda, and on the West Coast people tell me the flavor is that of an old-fashioned sarsaparilla."

Ginseng Rush carries a premium price—ginseng root costs $50 a pound, Corr says. He used to buy most of his ginseng but now grows it himself on acreage near Wausau, Wis. Much of the nation's ginseng is grown in Wisconsin, where more than a century ago Chinese immigrants planted it because they found Wisconsin's climate suitable.

Corr's beverages are sold throughout the nation in health food stores and nutrition departments of grocery stores. Ginseng Rush, with its carbonation, has also attracted the Perrier crowd and ice cream soda aficionados, who can enjoy its taste at Haagen-Dazs ice cream shops.

"The turn-of-the-century farmers in Wisconsin and the ancient Chinese," says Corr, "believed in ginseng to counteract fatigue and stress and aid digestion. Health food promoters today also believe that the herb has those powers and that it provides hormone balance."

In 300 A.D., he says, the Chinese were calling the herb "a tonic that, if taken for some time, will invigorate the body and prolong life."

Corr believes it. And who can argue? It certainly has invigorated him.

"Wee Workouts" Mean Big Dollars

It's "wee workout time," shouts the leader, and thousands of toddlers bolt down their strained bananas, vault from their high chairs and head for Gymboree class, the latest physical fitness phenomenon.

Their leader, former dancer Joan Barnes, 36, is the kids' answer to Richard Simmons and Jane Fonda.

Wee workout time is entrepreneurial time for Barnes. She has 72 Gymboree franchises (eight of which she keeps for herself) pumping dollars in five states. Her husband, a San Francisco journalist, plays no role in the business but encourages her entrepreneurial spirit.

Gymboree members cannot be younger than 3 months or older than 4 years, and they must be accompanied to

Children as young as 3 months take part in Gymboree's "wee workouts" by clambering over inflatables, through tunnels and down slides—all designed to appeal to toddlers' love of bright colors and varied surfaces.

PHOTO: GYMBOREE

the once-a-week, 45-minute class by a parent. Kids must be signed up for 12 weeks of classes, for a $48 fee.

During the classes, the children romp on slides and ladders, through tunnels and over inflatables, all to instructions from the leader. The equipment is custom-designed and made for Barnes.

"We're trying to enhance the normal development process of toddlers," she says. "You can't overstimulate a child. Children learn by using their physical senses, and 50 percent of their learning takes place before they get into school."

Barnes got the idea for Gymboree in 1976 while working as a recreation administrator for Marin County, Calif. Starting with a $20,000 investment, she opened her first Gymboree in San Mateo, carefully incorporating scaled-down equipment that was colorful and of varied surfaces for tactile stimulation. By the end of her first year she had opened seven more Gymborees in the San Francisco area.

She sold her first franchise in 1980 and went over the $1 million revenue mark in 1982. Now she choreographs "wee workouts" and "baby boogies" for more than 10,000 toddlers annually and expects to stretch the Gymboree Corporation into 198 franchises by the end of this year.

Barnes' entrepreneurial hustle is not only for the children or her own financial reward but also for working women: "My greatest goal is to see women grow by being in business themselves. Women are an underused resource for running businesses."

Not surprisingly, all Gymboree franchises but one are owned and operated by women. The required investment in time and money is relatively modest; all are part-time businesses. Each franchisee makes an initial $8,000 investment, plus another $8,000 for equipment. Gymboree classes are usually held in rented church or community halls.

Franchises are not sold singly, however. The parent company lays out a territory in which a minimum of two and a maximum of eight franchises are specified. Buying a franchise means buying a territory.

"A typical Gymboree center enrolls 200 children each quarter," says Barnes, "and a franchisee can expect to earn a 50 percent return on her investment."

For the toddlers, the return can be even more impressive. They're in shape before they ever get out of shape.

Classy Threads—With A Message

Mark Kaufman is capitalizing on the public's willingness to be walking billboards.

The 32-year-old New Yorker created and owns the Three Strikes Custom Design Company, which sells fashionable garments and accessories carrying corporate logos and messages.

"The international phenomenon of the T-shirt that says 'I've been to San Francisco' or 'I've been to London,'" says Kaufman, "is just one facet of a revolutionary clothing concept—what people wear overtly states who they are, to what they belong, even what they believe."

PHOTO: THREE STRIKES

Mark Kaufman of Three Strikes Custom Design has found a large market for fashionable clothing emblazoned with a company's colors and insignia.

Until he organized Three Strikes, Kaufman himself wasn't sure where he belonged or what he believed in. He had gone to Cornell Law School, but after joining a small Massachusetts law firm, he "was bored from the first day. I kept looking at my watch. After six months I decided it was time to leave."

The only legal work that interested him dealt with business matters, so he sought out opportunities as an entrepreneur's apprentice.

"But the more I spoke to people the more I got the feeling I'd do better on my own," he says.

During college he had helped start a part-time business that imported tennis clothing from Hong Kong and custom-embroidered it for U.S. buyers. His former associates were still operating the company in 1978, when they hired Kaufman to help with marketing, promotion and advertising.

Two years' experience convinced Kaufman there was a sizable market in providing custom-embroidered apparel for corporations. So he started Three Strikes Custom Design.

To beat the competition, he stocks only quality shirts, sweaters and jackets, accepts small and large orders and provides quick delivery by using computerized embroidering equipment. And most important, Kaufman sees to it that the apparel is color-coordinated to each corporation's colors.

Today the multimillion-dollar business, launched with less than $10,000, boasts a client list that includes United Airlines, NBC, General Foods, Toyota and Mobil.

Says Kaufman: "Wearing fashionable clothing, particularly items customized to make a visible public statement of affiliation and achievement, has become increasingly in vogue in the business sector."

For 1983 Kaufman is shifting to a still higher gear.

He is introducing the "gentlemen's designer collection" for a maker of Scotch whisky. And he is investigating franchising a business spinoff—the Embroid-o-mat, a retail customized monogramming kiosk to be put in shopping malls.

Kaufman thinks big for profits and small for overhead: Full-time employes number three, design and sewing are contracted out under close scrutiny, and independent national representatives help initiate sales.

As for an advertising budget, Kaufman doesn't need one—he has a whole country full of people who are walking billboards for his firm. □

PHOTO: DAVID VALDEZ

Major Issues in Congress That Could Affect *Your* Business

. . . and what you can do about them

This NATION'S BUSINESS feature advises readers how they can make their views known on pending congressional legislation that could have a significant impact on business. Correspondence to members and committees of Congress can be sent either c/o U.S. Senate, Washington, D.C. 20510 or c/o U.S. House of Representatives, Washington, D.C. 20515.

Issue	Potential Impact On Business	Contact And Business Message
1983-84 Federal Budget	Congress could mandate spending levels, particularly in entitlement programs, that could mean excessive deficits and the threat of higher taxes.	Senate and House Budget Committees: Impose spending restraint that will lead to balanced budget, without tax increases, in relatively near future.
Social Security	Adoption of recommendations of National Commission on Social Security Reform would mean higher payroll taxes, with particularly heavy burden on self-employed, but would not address long-range financial needs.	House Ways and Means Committee: Put more emphasis on slowing benefit growth and less on higher taxes. Deal with long-term problems by raising the retirement age and lowering the wage-replacement rate.
Bankruptcy Law	Could resolve problems caused by earlier law that made it easier for wage-earning consumers to declare bankruptcy at expense of creditors.	Courts Subcommittee, Senate Judiciary Committee: Report out bill that incorporates amendments putting consumer bankruptcy on a more equitable basis.
Export-Import Bank Funding	Stimulate U.S. exports, which would create more jobs and improve the balance of payments.	Senate Appropriations Committee: Support adequate funding for Eximbank operations
Clean Air And Clean Water Acts	Encourage economic expansion by modifying excessive burdens of these laws without sacrificing basic goals.	Senate Environment and Public Works Committee: Approve measures that meet objectives of growth and environmental protection.
Payment-in-Kind	Check runaway spending for crop supports, thereby slowing growth of federal deficit.	House Agriculture Committee: Support administration plan to give farmers commodities instead of cash for not growing crops.
Withholding	Relieve corporations and financial institutions of responsibility for withholding federal income taxes on dividend and interest payments.	House Ways and Means Committee and Senate Finance Committee: Urge support of bills to repeal requirement for withholding on dividend and interest payments.

Spending Cuts Are Still Essential

TWO YEARS AGO, a newly inaugurated President Reagan won overwhelming business support for an economic recovery program based on incentives. It assumed that businesses and individuals would be more productive if their tax burdens were eased.

"The production of America is the possession of those who build, serve, create and produce," the President said in announcing his program.

Battle lines in Congress were clear-cut: retrenchment versus continued expansion of government.

A new fiscal policy debate is under way in Congress, but the sharp distinctions of 1981 have become blurred. (See article beginning on page 22.) The administration supported a major tax increase last year and now backs Social Security tax increases; it recommends standby boosts in income taxes if deficits don't fall substantially.

This talk of tax increases is growing more pervasive in Washington because of the deficit projections: $850 billion for the five fiscal years ending in 1986.

At the same time, there appears to be a certain timidity, in both the White House and Congress, about pressing for more spending restraint. Such restraint was an integral part of the original Reagan program, and business people continue to support that approach.

Reagan is seeking to reassure the American people that curbing expenditures remains the keystone of his fiscal policy. He should intensify this effort. Otherwise, Congress might use the mixed signals coming from the White House as an excuse for fiscal decisions that could do serious harm to the economy.

... And Speaking Of Spending

A FAVORITE EXERCISE of elected officials is announcing to constituents the alleged benefits to be conferred on them by a new federal budget.

Some business groups take an opposite tack, however, and scrutinize the budget in terms of the costs to residents of a given state.

The New Jersey State Chamber of Commerce has developed a revealing perspective on the relationship between federal spending and the citizens of New Jersey.

As submitted by President Reagan, the budget would require New Jersey residents to pay federal taxes of $33.9 billion, or $4,581 per capita—an increase of more than 50 percent in both categories in just four years.

That $33.9 billion, the state chamber points out, is more than 7½ times the total of local property taxes collected by all the state's counties, municipalities and school districts, and 5½ times the total of state tax funds appropriated to operate the state government and provide state aid to localities.

The New Jersey Chamber's calculations are based on its estimate that citizens of the state pay 3.99 percent of all federal taxes.

Other business organizations might find it interesting—and revealing—to apply the same type of analysis to their own states.

Double Benefit From Deregulation

CRITICS of federal deregulation claim it means a resurgence of the evils that regulation was originally intended to correct.

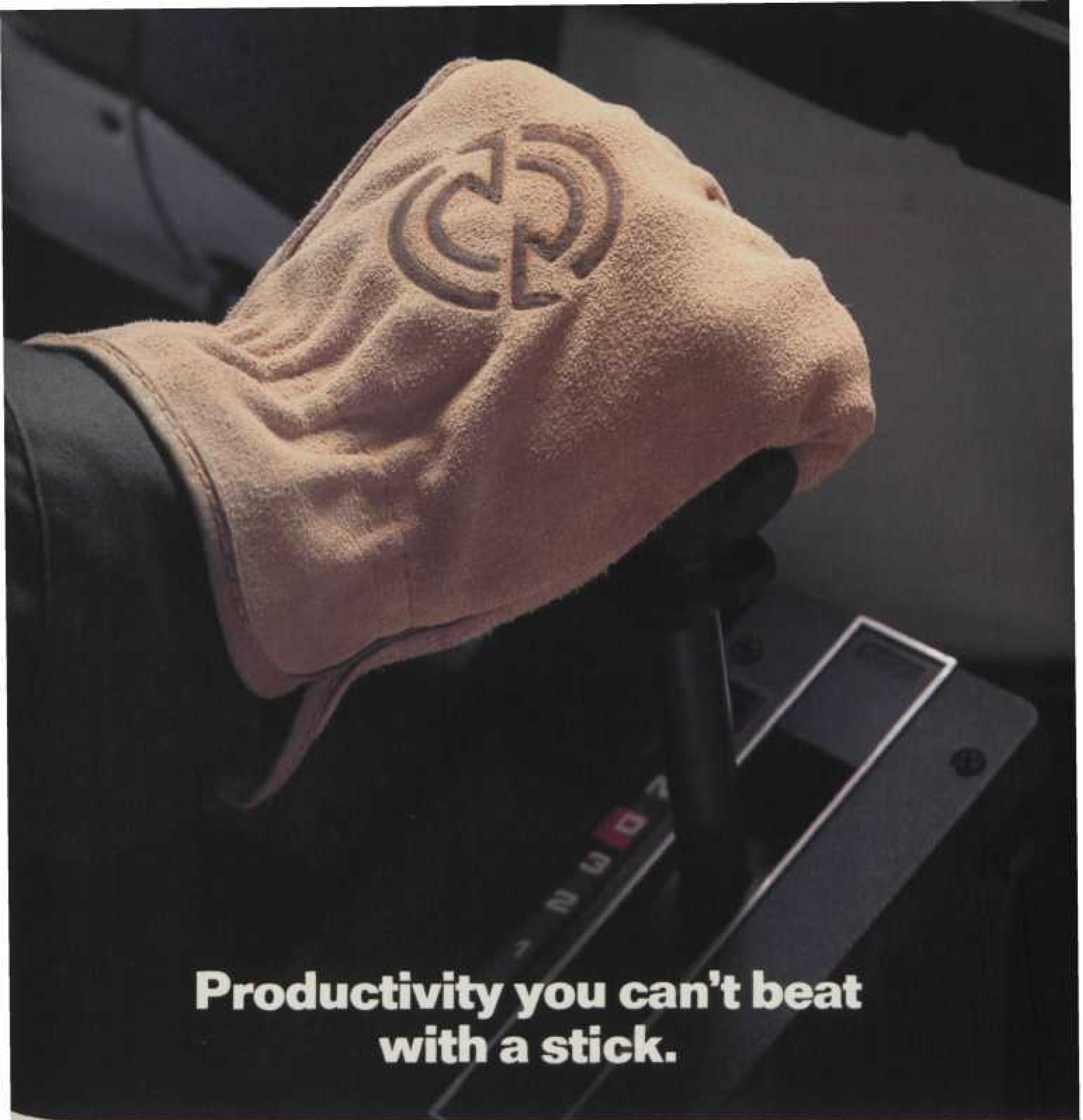
The experience of the Occupational Safety and Health Administration proves that the contrary can be the case. OSHA has eased its demands on employers while improving its performance.

Under the Carter administration, OSHA followed a policy of confrontation apparently intended to punish as many employers as possible for rules infractions, no matter how trivial. The current administration's policy is based on the assumption that most companies will cooperate in making their workplaces safe and that OSHA's resources can best be targeted on major areas of potential trouble.

The true test, of course, is not in managerial attitudes, but in results: There were 66.2 workdays per 100 workers lost because of on-the-job injuries in 1979, a Carter year, and 60.4 in 1981, the Reagan administration's first year.

OSHA is meeting its responsibilities more effectively while reducing unnecessary regulatory burdens.

Congress should study the OSHA experience as a precedent for effective deregulation elsewhere in government. □



Inflation. High fuel costs. Tight money. Suddenly, vehicle productivity becomes an even more vital factor in your business. One way to improve it is to forget the stick and specify an Allison Automatic transmission when you buy new trucks.

With an Allison Automatic, your drivers won't waste valuable time grinding their way through the gears. Instead, they'll get quick, full-power shifts that can cut acceleration time and overall trip time appreciably. That means your fleet can get more work done every day. Especially if you operate under conditions that normally require a lot of shifting. Like on hilly terrain or stop-and-go city streets.

With an Allison Automatic, you're always in the right gear and engine RPM range for good fuel efficiency, too.

Allison Automatics can also help make your drivers more productive by eliminating the tedium of constant clutching and shifting. And a driver that isn't tired and irritated from battling the stick all day is more likely to do a better job for your company.

What's more, Allison Automatics help reduce crippling driveline damage and eliminate clutch adjustment, repair and replacement altogether. That means your trucks spend less time in the shop and more time on the road.

So give up the stick for good and get better productivity from your fleet at the same time. With tough, dependable Allison Automatics. On hand now for immediate delivery.

For more information, write to Detroit Diesel Allison, Division of General Motors, P.O. Box 81, Birmingham, Michigan 48012.

The Allison Automatics


Just for you.
All these years you've been doing for others.
Summer camp. Orthodontists. Ballet lessons. Tuitions.
Now it's time to do something for you...the two of you.
A beautiful new 1983 Cadillac! And it's all
you hoped it would be...in comfort...ride...and luxury.
Isn't it time you did something just for you?
See your Cadillac dealer soon.
Best of all... it's a Cadillac
CADILLAC MOTOR CAR DIVISION, U.S.A.
GM